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March
1988

1987
The Year in Review

Alaska

Anchorage

Fairbanks

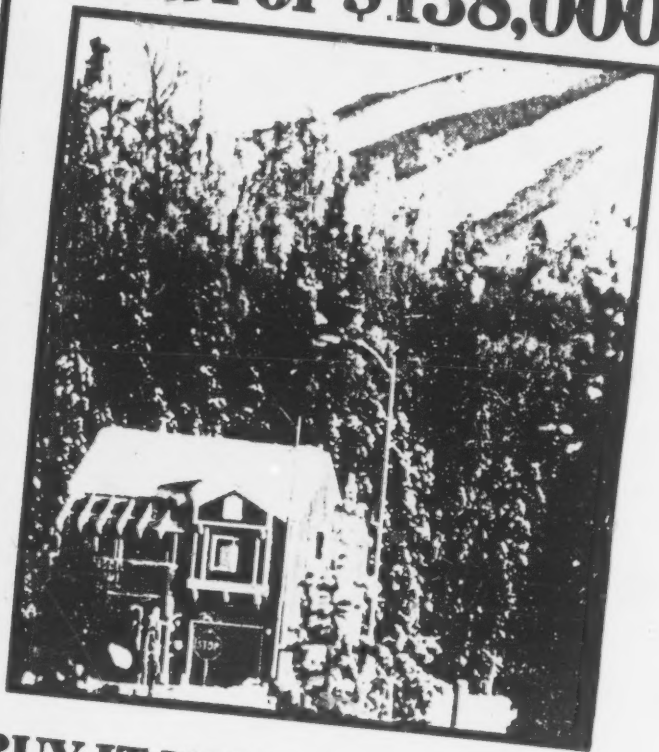
Gulf Coast

Southeast Alaska

Revised Employment,
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Alaska's Employment
Scene

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We welcome contributions on current economic issues from our readers. For a copy of our editorial policy contact Dr. Edward W. Eboch, Editor, *Alaska Economic Trends*, Alaska Department of Labor, P.O. Box 25501, Juneau, Alaska 99802-5501.

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The following notes pertain to Nonagricultural Wage and Salary Employment Tables:

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark date March 1987.

P/ Denotes preliminary estimates.

R/ Denotes revised estimates.

Alaska—1987, The Year in Review

By Edward Eboch

While 1986 is viewed as the start of Alaska's economic downturn, 1987 may be viewed as the turnaround year. The effects of Alaska's recession may not be over but analysis of the benchmarked employment numbers (Table 1 and the revised employment numbers, page 14) suggests that the downturn in employment has ended.

The raw employment numbers (Figure 1) suggest that the economy is still contracting. The seasonally adjusted data (Figure 2), however, indicates the worst is behind. In fact, when looking at seasonally adjusted numbers it appears the drop in employment ended as early as September 1987, if not earlier.

Some caution should be exercised in interpreting the seasonally adjusted numbers since many factors can cause them to appear to be increasing. The seasonally adjusted numbers indicating an upturn are from a significantly lower base. A closer look at the data, however, suggests the seasonally adjusted numbers may understate the basic strength in the economy.

Only the failure of construction and construction related firms to have their usual summer season increase in employment, and the poor fish harvest in the Southeast in August and September caused the seasonally adjusted numbers to record declines in late summer.

Geographic Analysis

The contraction in the economy has been largely restricted to Anchorage, and to a lesser extent Fairbanks, Juneau, and some Interior and Northern communities. Anchorage as a regional supplier of goods, services, and workers is heavily dependent on the oil industry and state construction spending. With the cutbacks in North Slope activities and state projects Anchorage has suffered. Outmigration has added to Anchorage's problems as less employment and spending have spread to other businesses. (Preliminary estimates indicate that Anchorage has suffered the majority of the approximately 20,000 loss in population.)

The coastal communities of Southeast, Southwest, and Gulf Coast are experiencing relatively healthy economies although not growing at the rates to which Alaskans have become accustomed. Fishing has been up strong over-the-year and timber is experienc-

Figure 1
Nonagricultural Wage & Salary 1985-1987

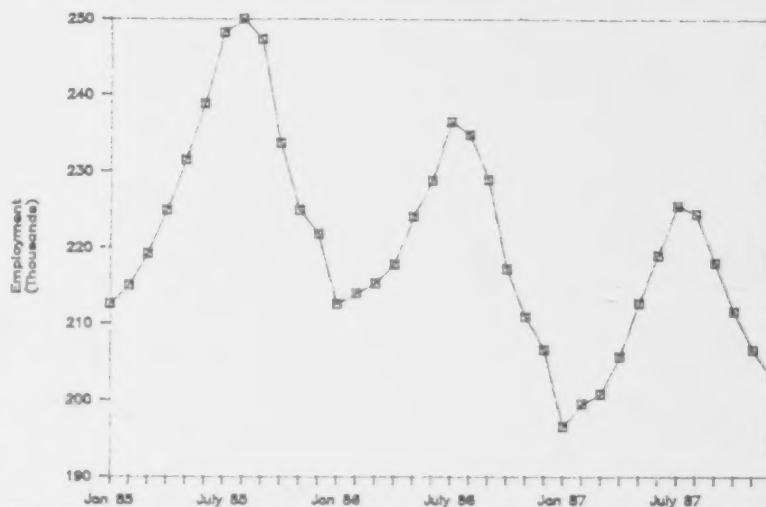
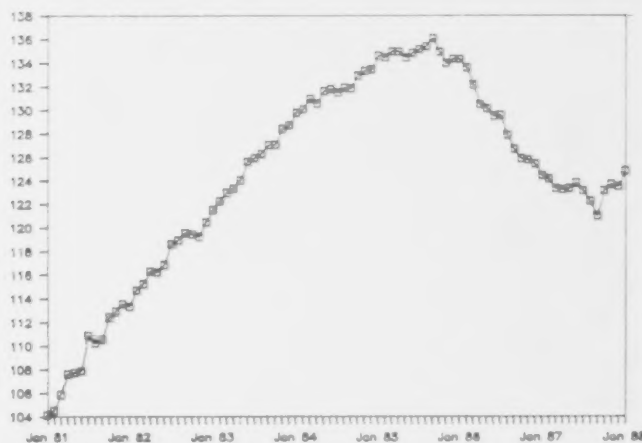


Figure 2
Composite Nonagricultural Employment
Seasonally Adjusted Index



ing one of its best years. The offpeak season gains in fishing are most impressive and offer full time job opportunities. This means local income and spending that will eventually add to growth in support sector firms in these communities.

Fairbanks' economy has been helped by the increase in military personnel

and construction spending. Construction at the Green's Creek Mine and anticipation of mining employment has offset some losses in Juneau, although much more is needed to offset the loss of jobs and income from cuts in state government employment. The Northern area has also benefited from construction of the road to the Red Dog Mine. Because of the improved options available to local residents and a generally positive outlook these communities appear to be on the rebound.

Industry Activities

The most surprising happening was how rapidly the support sectors adjusted to economic conditions. Although the economy began to decline by late 1985 with employment below the previous year, services employment did not fall below 1986 until April; finance, insurance and real estate until June. The decline in the support sector was caused by both a loss in purchasing power as people were laid off and by the psychological impact that caused firms to prepare for the worst. As business declined many firms closed their doors. Those remaining trimmed back their staffs, anticipating difficult times. By the end of 1986 firms in the support sectors had become cautious in their hiring as the usual summer and Christmas season hiring was less intense.

While mining, construction, and state and local government as well as the support industries continued to contract, increases in federal government, timber, and fisheries employment stemmed the free fall in employment during 1987. By the end of 1987 the increases in the basic industries of timber, fishing, mineral mining, and federal government were beginning to have a positive effect on the support industries as services and trade employment began to show some strength.

The one exception appeared to be in finance, insurance, and real estate (F.I.R.E.) which was still suffering from the collapse in the real estate market (Figure 3). While the rate of foreclosures had declined by late 1987 there are still problems in the real estate market. Bad commercial and housing loans were the cause of many bank closures and consolidations by

Figure 3
Finance, Insurance & Real Estate
Employment 1985-1987

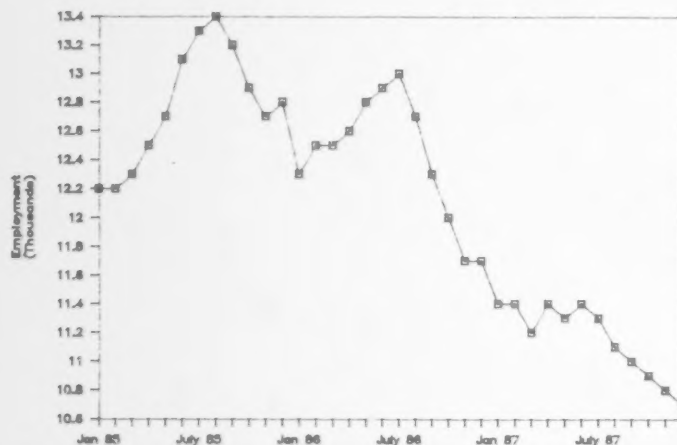


Table 1
Alaska
Nonagricultural Wage & Salary Employment
By Place of Work

	Annual Average			Percent Change		
	1985	1986	1987	86/85	87/85	87/86
Nonag. Wage & Salary	230,700	220,600	210,300	-4.4	-8.8	-4.7
Mining	9,500	9,100	8,500	-4.2	-10.5	-6.6
Construction	18,600	13,400	10,600	-28.0	-43.0	-20.9
Manufacturing	12,100	12,600	13,500	4.1	11.6	7.1
Seafood Processing	6,200	6,600	7,400	6.5	19.4	12.1
Lumber & Paper Prod.	2,300	2,600	2,900	13.0	26.1	11.5
All Other Mfg.	3,600	3,400	3,300	-5.6	-8.3	-2.9
Trans. Comm. & Utilities	18,700	17,900	17,700	-4.3	-5.3	-1.1
Trucking & Whseing	2,300	2,300	2,400	0.0	4.3	4.3
Water Transportation	1,400	1,200	1,000	-14.3	-28.6	-16.7
Air Transportation	5,800	5,400	5,300	-6.9	-8.6	-1.9
Other Trans. Comm. & Util.	9,300	9,100	9,100	-2.2	-2.2	0.0
Trade	45,800	43,700	41,400	-4.6	-9.6	-5.3
Wholesale	8,700	8,100	7,400	-6.9	-14.9	-8.6
Retail	37,100	35,600	34,000	-4.0	-8.4	-4.5
Gen. Mer. & Apparel	5,300	5,200	4,900	-1.9	-7.5	-5.8
Food Stores	6,000	5,800	5,900	-3.3	-1.7	1.7
Eating & Drinking Pl.	13,400	13,200	12,600	-1.5	-6.0	-4.5
Other Retail Trade	12,300	11,400	10,700	-7.3	-13.0	-6.1
Finance-Ins. & R.E.	12,800	12,400	11,200	-3.1	-12.5	-9.7
Services & Misc.	44,800	43,600	41,800	-2.7	-6.7	-4.1
Government	68,300	68,000	65,700	-0.4	-3.8	-3.4
Federal	17,600	17,600	18,000	0.0	2.3	2.3
State	20,500	20,200	18,700	-1.5	-8.8	-7.4
Local	30,300	30,200	29,000	-0.3	-4.3	-4.0

mid-1987, the cause for the current weakness in F.I.R.E. While the industry appears under pressure, the seasonal adjusted numbers indicate that even F.I.R.E. has rebounded from its lows of late summer (Figure 4).

While the oil and gas industry gradually lost ground over the year, the other mining segment of the industry was expanding rapidly, up over 17%. Metal mining was up even more while the quarrying segment was off because of the decline in the construction industry. Unfortunately, from an employment standpoint, mining employment is dominated by the oil and gas industry where losses exceeded the entire other mining employment. The result was a loss in mining employment over the year indicating the importance of the oil and gas industry to Alaska's economy; beyond its tax contributions to state operations.

The construction industry was hit much harder than the early estimates of employment exhibit, but not as much as the 20.8% drop indicates. At least one major firm classified as oil field services had most of its employment actually doing construction work during 1987. While this is always a problem in assigning a firm's employment it became more of a problem in 1987. The competitive situation in Alaska had firms in these industries vying with each other for work to remain in business. Large firms that in the past concentrated on oil field service construction work were aggressively bidding for any construction work available. As bad as things look in the construction industry the seasonal adjusted numbers suggest the bottom has been reached, albeit from a much lower base.

Conclusion

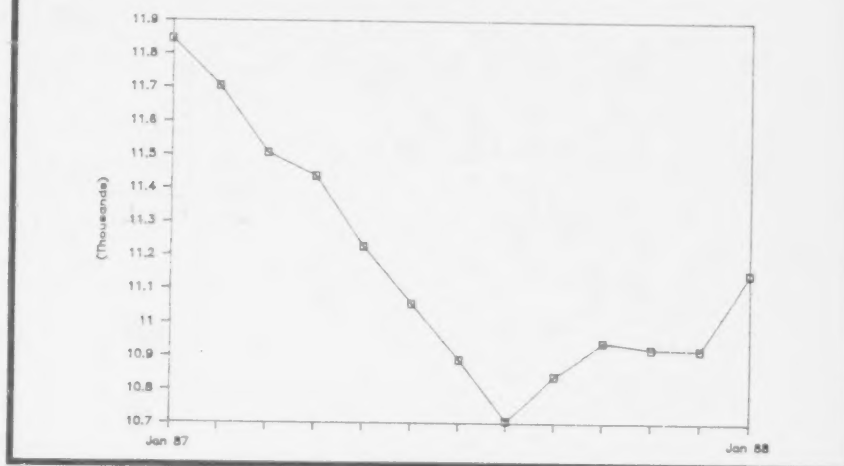
Alaska's economy lost employment at an increasing rate in late 1986 and early 1987 but by the end of the year strength in several basic industries began to stem the loss in employment. Growth in fishing, timber, and federal government employment largely offset losses in other industries.

When looking at the seasonally adjusted data it appears the bottom was reached by late summer/early fall. Ad-

justing for manufacturing, however, suggests the rest of the economy may still be contracting even with gains in federal government and mineral mining.

The losses were not equally distributed around the state. Anchorage, the Northern Region, and a few interior communities suffered to a

Figure 4
Finance, Insurance and Real Estate
Seasonally Adjusted Employment



much greater extent than the rest of the state. The coastal communities saw fishing and timber rebound just as state spending was cut. Fairbanks had an increase in military construction spending and an influx of military personnel that mitigated the loss in spending from cuts elsewhere. Juneau suffered from state budget cuts but mining and fishing ventures, while not adding much to employment immediately, improved the outlook for an improved economy and seemed to stem the collapse.

As people left the state, net losses to migration is estimated to exceed 20,000 over the last two years, the employment scene improved in many communities. Unemployment rates began the year at near record levels but by December were some of the lowest in the 1980s. While jobs were not plentiful, at least people who wanted work could usually find jobs, although it may be in a different profession that most likely paid less.

Anchorage—1987, The Year in Review

By Greg Huff

Although 1987 cannot be viewed as the end of the recession, it can be viewed as the beginning of the end. The benchmark employment numbers for Anchorage reveal annual employment levels falling 6.8%, but they were deteriorating quicker and over a broader range of industries in the beginning of the year than at the end. In January, for example, employment levels were down 9%, but by December employment losses had slowed to 2.7%.

In all, 7,400 jobs were lost in 1987, bringing the total number of jobs lost since the beginning of the recession to 13,400. The two years of decline bring Anchorage's employment levels to those found at midyear 1982 (Figure 1). However, on the bright side, this represents 26% more jobs than there were at the beginning of the decade. In other words, Anchorage has experienced an average job increase of over 3.0% annually when averaging out the boom and bust cycles of the last seven years.

Nonetheless, the recession has caused many hardships on workers. Thousands have lost jobs and have decided to leave Anchorage. Since 1985 Anchorage's population has declined by over 5,000 people according to estimates.

Comparison of Original Estimates and Benchmark Estimates

The trend patterns of the two series, as illustrated in Figure 2, are similar, but the benchmark numbers show employment levels declining more than the original estimates had indicated. The benchmark numbers show employment levels declining 6.8% versus the 5.3% decline indicated by earlier estimates.

Table 1
Anchorage Employment
1986-1987

	1986	1987	Percent Change
Nonag. Wage & Salary	108,500	101,100	-6.8
Mining	3,700	3,200	-13.5
Construction	7,200	5,600	-22.2
Manufacturing	2,500	2,300	-8.0
Transportation	9,800	9,400	-4.1
Trucking & Warehousing	1,400	1,500	7.1
Water Transportation	300	300	0.0
Air Transportation	3,400	3,200	-5.9
All Other Transportation	4,600	4,500	-2.2
Trade	25,800	23,400	-9.3
Wholesale	6,200	5,400	-12.9
Retail	19,700	18,000	-8.6
Gen. Merch. & Apparel	2,600	2,500	-3.8
Food Stores	2,900	2,800	-3.4
Eating & Drinking Pl.	7,900	7,100	-10.1
All Other Retail	6,200	5,600	-9.7
Finance-ins. & R.E.	8,200	7,400	-9.8
Services	24,900	23,700	-4.8
Government	26,400	26,000	-1.5
Federal	10,000	10,400	4.0
State	7,200	6,700	-6.9
Local	9,100	8,900	-2.2

For detailed analysis of the original estimates and benchmark numbers contact research and analysis. (Data users Note: Even though the benchmark numbers are derived from figures published in the Statistical Quarterly the series varies in some industries. For more information contact R&A.)

The deviation of the two series before June 1986 is a result of adjustments to airline transportation employment between Anchorage and Fairbanks. After June the two series deviated even more as actual employment declined during the month of July. This was a rare event until this recession when it occurred again in July 1987.

The largest difference between the original and benchmark numbers occurred between December of 1986 and January 1987. Here the original estimates did not fully capture the magnitude at which firms were dropping out of the market. On top of the normal post-Christmas layoffs, in January firms were closing their doors in record numbers.

Trends by Industry

Employment in the **construction** industry in 1987 declined 22%, its lowest level since early 1981 (Figure 3). Over 4,500 jobs have been lost in the industry since its slide began in 1985. This accounts for over 30% of all the jobs lost in Anchorage since that time. This is particularly startling when the industry that represents less

than 10% of all the jobs in Anchorage, accounts for 30% of the jobs lost.

When construction permit data is analyzed this decline is understandable. In 1987, valuations of Municipality building permits totalled \$80 million down from \$240 million in 1986 and over \$1 billion in 1985. Not since 1972 has construction been as slow as it was in 1987.

Employment in the **mining** industry (95% of which is oil and gas related) declined by 500 jobs for the second year in a row. These declines have resulted in a loss of nearly one-quarter of the jobs that existed in 1985. The majority of the jobs that were lost were among the oil field service firms, such as those providing drilling or geophysical services. These components of the oil and gas industry are always the most sensitive to radical oil price fluctuations such as seen in 1986. By early 1987 employment levels began to stabilize at levels similar to those in mid-1981.

The general story in the **government** sector in 1987 was the federal government's employment gains, offsetting some of the employment declines at the state and local levels. The net result was a decline of only 400 government workers, leaving 26,000 jobs intact.

Federal government employment increased by some 400 jobs in 1987, a 4% increase. These gains were distributed evenly among both the civilian military and civil services components. The Department of Labor employment numbers do not include uniformed personnel which totalled 11,700 in 1987, up 900 from 1986. In fact, the bases recorded their highest uniformed personnel count of the decade in 1987.

State government was the hardest hit of the government sectors with employment dropping nearly 7% or 500 jobs. Most of these declines were in what we classify as the noneducational segment of state government (that is, state government less the University system).

Although the restructuring of the university and community college system did create some job losses, enrollment in the system did not

Figure 1
Anchorage Employment 1979-1987

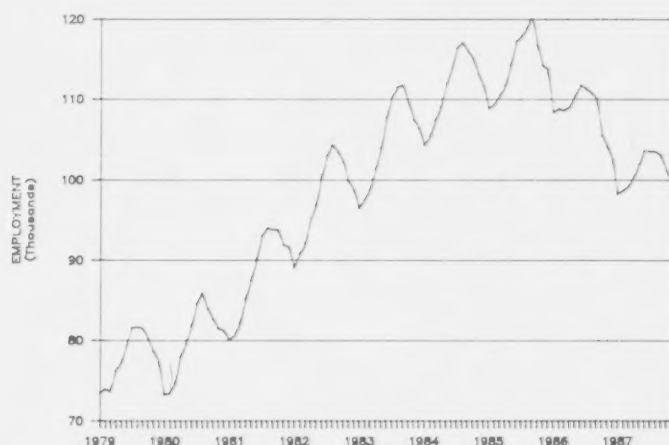


Figure 2
Anchorage Employment 1986-1987
Estimates vs. Benchmark

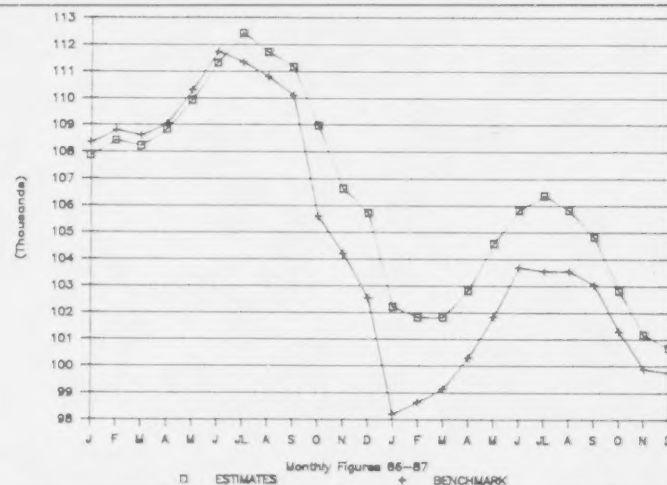
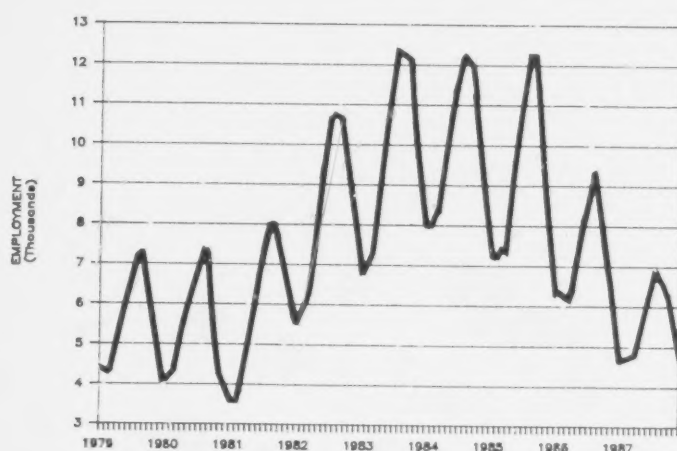


Figure 3
Anchorage Construction Employment 1979-1987



decline appreciably and the number of credit hours being taken increased resulting in staffing levels remaining fairly stable.

Local government employment declined 2.2% in 1987 with most of the declines occurring in the second half of the year. As with state government, the non-education segment (this includes the utilities owned by the municipality) experienced most of the employment losses. In part, this was due to how the school district was staffing positions. Generally they hired more part-time/temporary staff than normal, which resulted in employment gains, yet payroll declined.

The bulk of the jobs lost in Anchorage in 1987 were found in the **support** industries, those sectors which provide goods and services to the primary or basic sectors and to the resident population. So as mining, construction, and government employment fell and population declined the "ripple effect" took hold in 1986 and picked up momentum in 1987.

This increased momentum resulted in trade employment declining over 9.3% in 1987 compared to a 5.5% decline in 1986. The finance, insurance and real estates sector had employment losses of 4.7% in 1986 which increased to 8.5% in 1987. The big news in this industry was bank foreclosures. Both Bank of the North and First Interstate Bank went under and were absorbed by National Bank of Alaska. Mutual Bank and United Bank Alaska, on the verge of disaster, merged to form Alliance Bank. These shakeups were not the only cause for declining bank employment levels. The "healthy" banks have also reduced staff for the lean times.

The service industry also suffered losses as a result of cutbacks in the basic sector and loss of income. Particularly hard hit by construction declines were the architecture and engineering firms. Employment in that sector fell 27% in 1987, a decline it also experienced in 1986. Employment in the building supply and materials sector also had double digit employment declines.

The only support sector industry showing signs of health was the legal services sector which had employment increases of nearly 6.0% (200 jobs) in 1987.

Conclusion

The 1987 benchmark employment numbers show that Anchorage employment has fallen to mid-1982 levels. The largest employment losses occurring during the first half of 1987. As the year ended the rate at which jobs were being lost had decreased considerably. What does this trend mean for future job opportunities? The next issue of Alaska Economic Trends will contain employment forecasts to 1990.

Fairbanks—1987, The Year in Review

By Neal Fried

Nineteen eighty-seven proved to be another rough year for the Fairbanks economy. Employment fell hard in almost all industries. Foreclosures reached new heights, building permits issued reached their lowest point in more than 18 years, and bankruptcies continued to grow. The cumulative impact of the 1986 and 1987 declines has pushed employment levels in Fairbanks back to 1982-1983 levels. Essentially three years of employment growth vanished (figure 1).

Fairbanks was not the only community experiencing the second year of an economic downturn—almost all other communities along the railbelt were in similar straits. In 1987 employment in Fairbanks fell by 4.9%, or 1,300 jobs. These losses were more moderate than the 1986 declines. In 1986 1,800 jobs were lost which represented a 6.3% decline.

The 1987 benchmark employment numbers show that the employment estimates made during the course of the year slightly underestimated the decline in Fairbanks' employment. The large deviation in the transportation sector was a result of a large employer which operates statewide reporting all of its employment in Fairbanks. Transportation employment appears to have declined by approximately 600 as a result of this adjustment but in fact the real decline was much less.

Industry Losses Broaden

Though the 1987 employment declines were not quite as steep as in 1986, a broader group of industries contributed to the losses. All but one major industry category lost ground in 1987 (Table 1). In 1986 construction was responsible for more than half of all employment losses. Among the top contenders this year were two industries in Fairbanks' secondary sector—finance insurance and real estate and services. Both of these industries were among the few that made it through 1986 without losing ground, but the losses taken in other industries caught up with them in 1987.

Finance, insurance and real estate was hurt by the growing surplus of residential and commercial property. According to the Fairbanks North Star Borough Community Research Center, rental and housing prices fell

Figure 1
Fairbanks Nonagricultural Employment, 1980-1987

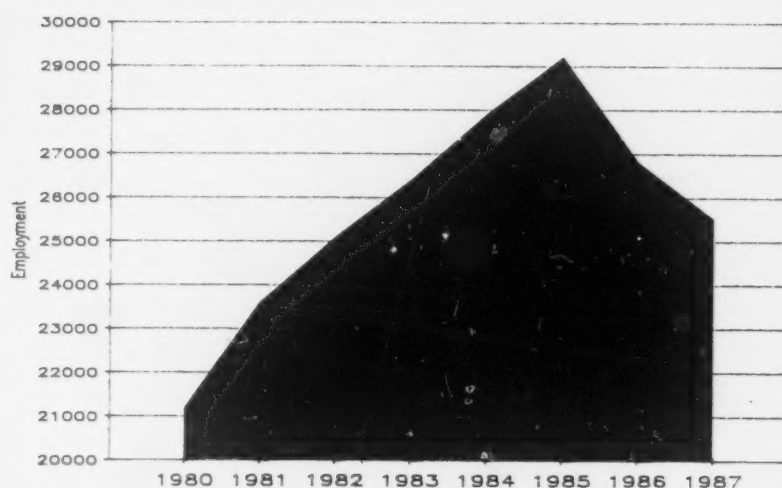


Table 1
Fairbanks Wage and Salary Employment
1986-1987

	1986	1987	Percent Change 1986-1987
Nonag. Wage & Salary	26,800	25,500	-4.9
Mining	100	100	0.0
Construction	1,700	1,600	-5.9
Manufacturing	600	500	-16.7
Trans. Comm. & Utilities	2,100	2,200	4.8
Trucking & Whseing.	400	400	0.0
Air Transportation	300	300	0.0
Other Trans. Comm. & Util.	1,300	1,500	15.4
Trade	5,800	5,500	-5.2
Wholesale	900	700	-22.2
Retail	4,900	4,700	-4.1
Food Stores	700	800	14.3
All Other Trade	4,200	4,000	-4.8
Finance-Ins. & R.E.	1,100	900	-18.2
Services & Misc.	5,900	5,500	-6.8
Government	9,500	9,100	-4.2
Federal	2,800	2,800	0.0
State	3,900	3,700	-5.1
Local	2,800	2,600	-7.1

Figure 2
Fairbanks Residential Building Permits, 1970-1987

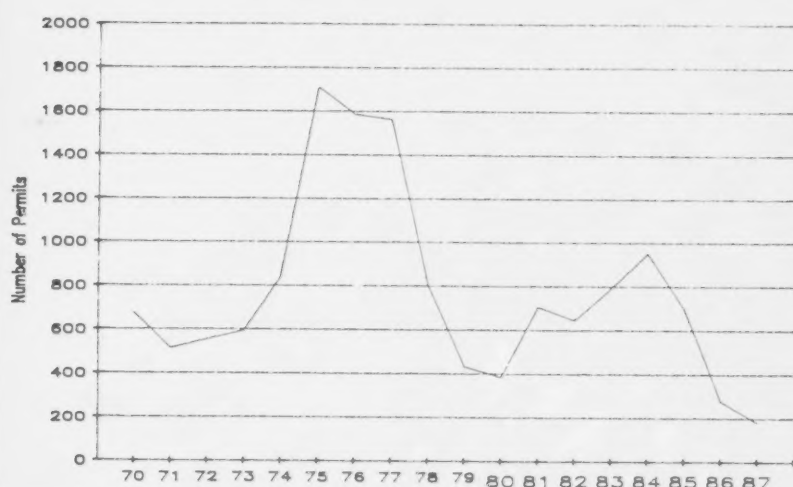
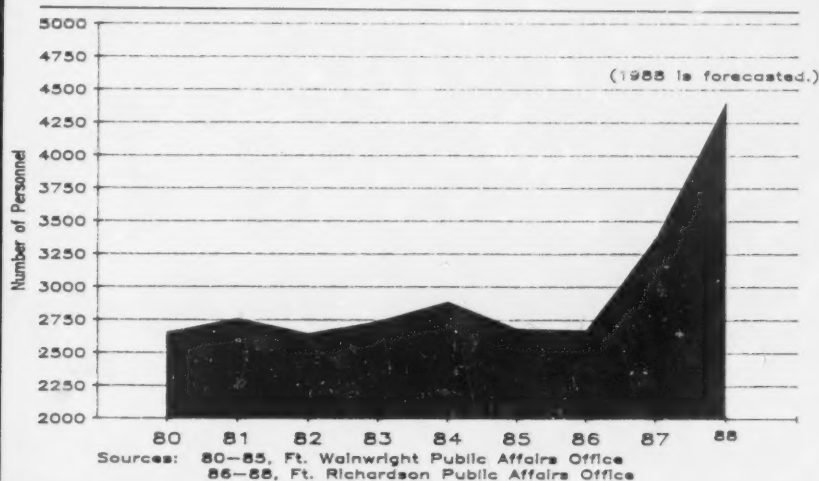


Figure 3
Uniformed Military Personnel on Ft. Wainwright, FFY 80-88



and mortgage activity fell off dramatically. The number of foreclosed properties more than tripled in 1987. In addition, banks and other lending institutions recorded their worst year in 1987. A number of lending institutions closed and consolidated which has meant smaller work forces.

Traditionally, the **service** industry is among the more resilient industries during recessionary times, and Fairbanks was no exception. The breadth of this industry, which includes medical, legal, and entertainment serv-

ices; lodging, and private social services, gives it more staying power than other industries. But, by 1987 the service industry could no longer fend off employment losses. Falling incomes and a general decline in business activity caused the service industry to lose ground.

Tourism has remained healthy keeping lodging operators busy during the summer months but the off season activity has been markedly slower during the past two years because of a drop off in business related

travelers. As a result, some lodging operators who remained open year-round in the past have chosen to close for the winter season and others have pared their winter work force. Entertainment services has suffered because of losses to disposable income. Even medical services lost ground when Fairbanks Memorial Hospital laid off 37 of its workers during the latter part of 1987. In spite of the service industry's present declines, when the recession has run its course this industry will be one which experienced only moderate losses compared to most other industries because of its diversity.

Construction employment dropped 6% in 1987, versus 45% in 1986. The number of residential building permits issued fell to 181, the smallest number in more than 18 years (Figure 2). Given these stark statistics, it is hard to believe construction didn't fall more, but none of these statistics takes public construction and military (except housing) construction into account. Military construction and other large public projects such as the South Fairbanks Expressway helped keep the losses below the double digit level.

Government sectors losses increased in 1987. Federal government's employment levels remained flat in spite of the influx of military personnel. Military related civilian employment did climb moderately but non-military federal employment fell by a corresponding amount. State government (which includes the University) lost some ground, but most of these losses occurred via attrition and early retirements. By the last quarter of the year state government employment levels stabilized. Local government took the biggest hit because of revenue shortfalls and the inability to raise revenues. The City of Fairbanks had the largest losses, but the Fairbanks Municipal Utilities System, the School District and the North Star Borough have all experienced personnel cuts.

The Military

The deployment of the 6th Light Infantry Division in Fairbanks was seen by some as the panacea to Fairbanks economic problems. Though the number of uniformed military personnel over the past year and a half

increased by approximately 1,500 (figure 3), most measurable economic impacts (with the exception of construction) remain elusive. Part of the reason may be that many of the soldiers are recent arrivals. More likely it's because of the insulated nature of military operations. Many of the soldiers live on base and purchase most of their goods and services there—the military economy operates semi-independently of the rest of the economy. New housing has been constructed on base, which has meant the expectations of big de-

mand for off-base housing in the community has not materialized. There is little doubt economic activity related to the 6th Light Infantry Division has been generated, but the magnitude of the present downturn has hidden the Division's influence on the economy.

Conclusion

The tentacles of the recession in 1987 reached into sectors of the Fairbanks economy which were largely untouched in 1986, or in previous

economic contractions. The public sector, typically immune from past recessions and the bastion of job stability, is the best example of this. Nineteen eighty-seven was not a good year for those who lost their jobs, for job seekers, or for many business which struggled to survive. Positive news was difficult to find. The only silver lining was the fact that overall losses began to moderate in 1987. This could lead us to the conclusion that the economic rout of Fairbanks' economy which began in 1986 is now winding down.

Gulf Coast—1987, The Year in Review

By Neal Fried

The Gulf Coast does not represent one integrated economic region; it represents a number of independent economies. Therefore, generalizations about the entire region are difficult to make. The region includes the Valdez-Cordova census area, the Kodiak Island Borough, and the Kenai Peninsula Borough.

Nineteen eighty-seven represented a further setback for the region's economy; 400 jobs were lost which translates into a two percent loss in employment. Though any loss of employment is not good news, employment declines moderated considerably in 1987, and were less precipitous than in most other regions of the state (Figure 1).

Within the region the economic performance of each area differed. Kodiak's employment increased in 1987 as a result of rapid growth in the bottom fish industry. Both Valdez-Cordova and the Kenai Peninsula Borough, however, lost ground in 1987 (See February Trends for a detailed treatment of the Kenai Peninsula's economy).

Industry Analysis

Not even Kodiak's healthy economy could provide enough impetus to prevent the region's **construction** industry employment from falling to 1980 levels. A surplus of housing and commercial space depressed the demand for new private sector construction and the plunging state capital budget lent no support to the public side of the industry. As a result, employment in the construction industry fell 23% in 1987, a slight improvement over 1986's 32% drop (Table 1).

Figure 1
Gulf Coast Nonagricultural Employment, 1980-1987

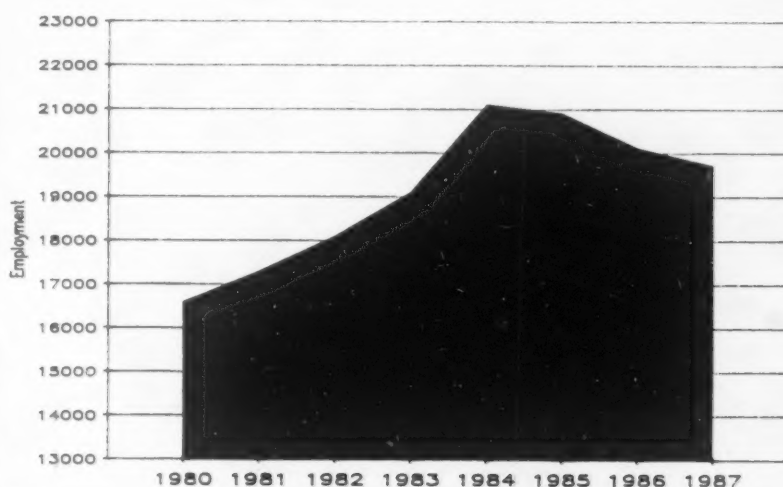
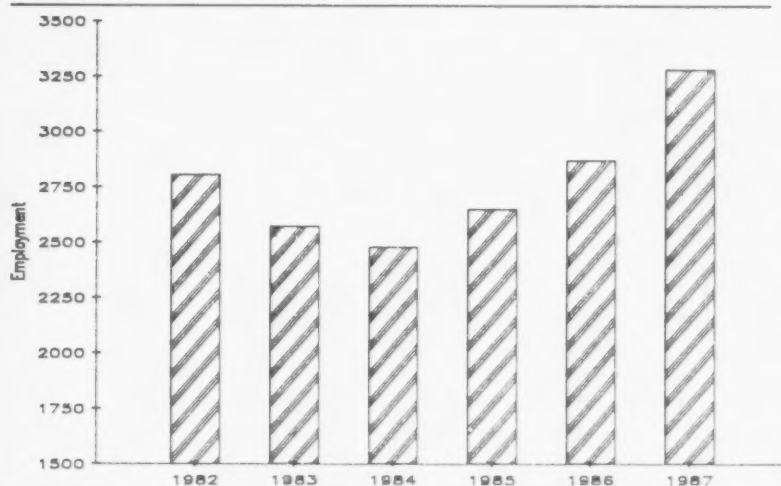


Table 1
Gulf Coast Wage and Salary Employment
1986-1987

	1986	1987	Percent Change 1986-1987
Nonag. Wage & Salary	20,100	19,700	-2.0
Mining	900	800	-11.1
Construction	1,300	1,000	-23.1
Manufacturing	3,500	3,900	11.4
Seafood Processing	2,900	3,300	13.8
All Other Mfg.	600	600	0.0
Trans. Comm. & Utilities	1,400	1,300	-7.1
Trade	3,500	3,600	2.9
Wholesale	500	500	0.0
Retail	3,000	3,100	3.3
Finance-Ins. & R.E.	700	600	-14.3
Services & Misc.	3,300	3,200	-3.0
Hotels and Other Lodging	600	600	0.0
All Other Services	2,800	2,700	-3.6
Government	5,500	5,300	-3.6
Federal	500	500	0.0
State	1,600	1,500	-6.3
Local	3,400	3,300	-2.9

Figure 2
Gulf Coast Seafood Processing Employment,
1982-1987



In contrast to the region's construction industry, **manufacturing** was one of the few industries with gains in 1987 (Figure 2). All manufacturing's gains can be attributed to the fishing industry. It was a good salmon year in most areas with good volume and prices. The crab season continues to remain below historic levels but appears to be slowly rebounding. What accounts for the surge in the seafood processing industry is the relatively new bottom fishery. Most of this ac-

tivity is based out of Kodiak—but many of the fishing communities in the region, including Cordova, Homer, and Seward have also begun to develop this fishery. If the bottom fishery continues to flourish, and a year round fishery develops fully, it will make Alaska more competitive in world markets and provide a stable source of jobs and incomes to local communities.

This entire region's mining (oil) indus-

try is based in Kenai. Kenai is also the home base to many oil service companies in the state. It was this part of the industry which suffered the greatest losses in 1987. Unlike other coastal communities this industry's losses contributed to local economic woes.

The story was mixed in the support industries. Retail trade performed quite well in the midst of a down economy. Employment grew by 100. Finance, insurance and real estate and services were not as fortunate. In 1986 the Kenai Peninsula Savings and Loan was one of the first of what was to become a string of lending institutions to close their doors. In 1987 other closures and consolidations of lending institution caused further reductions in work force during the latter part of the year. The poor real estate market contributed to most of these bank failures and layoffs in the industry.

Normally considered the bedrock of stability and job security, the public sector did not get through 1987 unscathed. Falling oil revenues and property values forced state and local **government** to reduce their work force. Though most of the reductions were relatively small, the fact that the public sector joined the private sector in this economic contraction emphasizes the depth and breadth of the recession.

Conclusion

As in so many other places in the state, 1987 was another year of economic struggle for many individuals and businesses in the Gulf Coast region. Many people left and many businesses ceased to operate. For the lucky inhabitants who depend on the fishing industry for their livelihood, 1987 was probably a prosperous year. In the Kodiak Island Borough, there were few signs of a recession. The fact that the losses moderated in 1987 may be one sign that the rest of the region could begin to pull itself out of this recession sometime this year.

Southeast Alaska—1987, The Year in Review

By John Boucher

For the second consecutive year, Southeast Alaska wage and salary employment declined from the previous year, down 1.7% which came on the heels of a 0.9% drop from 1985 to 1986. The loss of nearly 500 jobs in 1987 put annual average employment in Southeast Alaska at 28,600.

While employment losses are never anything to cheer about, there is some consolation in the fact that employment losses in many regions of the state were much more severe than they were in Southeast Alaska. Other regions of the state lost four to seven percent of their total employment from 1986 to 1987 so the 1.7% loss in Southeast Alaska made it one of the better economic performers during the past year.

Industry Employment

The construction industry experienced a 1.0% employment decline in 1987, and construction's percentage share of total employment remained at one of its lowest levels since 1975. (Table 1) A good sign is that the drop was the smallest decline since the onset of the construction downturn in 1984. It looks as if Southeast Alaska construction has reached a level that can be sustained provided there are no further economic surprises. A rapid drop in the price of oil or an event which jeopardizes the current healthy outlook for Southeast's manufacturing industry would have a negative im-

Table 1
Construction & Southeast Employment
1975-1987

	Const.	Total	Const. as % of Total	% Change from Previous Year
1978	997	24,763	4.0	2.4
1979	944	24,967	3.8	-5.3
1980	1,212	27,610	4.4	28.4
1981	1,428	27,267	5.2	17.8
1982	1,514	27,844	5.4	6.0
1983	2,017	28,706	7.0	33.2
1984	1,814	28,875	6.3	-10.1
1985	1,665	29,326	5.7	-8.2
1986	1,098	29,072	3.8	-34.1
1987	1,087	28,598	3.8	-1.0

Table 2
Southeast Alaska
Nonagricultural Wage & Salary Employment
1985, 1986 & 1987 Annual Averages ¹

	1987 Annual Avg	1986 Annual Avg	1985 Annual Avg	86-87 Net Change	86-87 Percent Change	85-87 Percent Change
Nonag. Wage & Salary	28,598	29,072	29,326	-474	-1.6	-2.5
Construction	1,087	1,098	1,665	-11	-1.0	-34.7
Manufacturing	4,102	3,854	3,219	248	6.4	27.4
Seafood Processing	1,094	1,160	1,160	-66	-5.7	-5.7
Lumber & Paper Prod	2,794	2,490	2,015	304	12.2	38.7
Other Manufacturing	214	203	203	11	5.4	5.4
Trans., Comm & Utilities	2,095	2,107	2,032	-12	-0.6	3.1
Trade	4,528	4,465	4,552	63	1.4	-0.5
Wholesale Trade	391	335	370	56	16.7	5.7
Retail Trade	4,138	4,130	4,182	8	0.2	-1.1
Finance-Ins. & R.E.	1,059	1,166	1,114	-107	-9.2	-4.9
Mining, Services & Misc.	4,708	4,553	4,546	155	3.4	3.6
Government	11,020	11,829	12,203	-809	-6.8	-9.7
Federal	1,947	2,027	2,085	-80	-3.9	-6.6
State	4,981	5,397	5,522	-416	-7.7	-9.8
Local	4,092	4,405	4,597	-314	-7.1	-11.0

Totals may not add due to rounding

¹ 1987 Annual average based on 6 months of ES202 data and 6 months of estimated data.

pact on the construction industry as well.

While the level of construction employment remained relatively stable, the mix of employment within the industry changed dramatically. General construction and special trades construction were both down during 1987 while the heavy construction sector of the industry grew during the year. The drop in general and special trades construction reflects the weakness in the residential and commercial construction sectors. Very little new construction of commercial and residential space took place in 1987 because of the overbuilding, particularly in Juneau, in the early 80s. The surge in heavy construction reflects state and federal dollars spent to upgrade and maintain existing roads as well as construct new logging roads.

The **manufacturing** industry was Southeast Alaska's shining star in 1987, but the news wasn't all good from this industry. Good foreign exchange rates, particularly the fall of the dollar against the Japanese yen, and the fruition of cost cutting measures propelled the lumber and paper products industry to its highest annual employment total since 1980. The two largest employers in this industry, the pulp mills in Sitka and Ketchikan, enjoyed a year of increased production and employment. Sawmill and logging employment gains helped fueled the expansion in this industry.

On the other hand, a disastrous pink salmon run in southern Southeast Alaska put a severe crimp on peak employment in the seafood processing sector of manufacturing. August and September employment levels were off 25% to 30% from 1986, which translated into 700-800 jobs during those two months and about 140 jobs on an annual basis. Manufacturing employment in the region was severely handicapped by the loss of these jobs.

The other manufacturing sector, which is primarily printing and publishing, experienced very little change in employment during the year.

The **transportation** industry in Southeast Alaska has four major sectors; air transport, water transport, communications and utilities, and

other transportation. In 1987 three out of the four sectors had employment growth but employment losses in the communications and utilities sector were so sharp that it offset most of the gains in the other three.

Air transportation is growing in response to increased traffic in the tourism industry. Growth in air transportation employment during 1987 was primarily in smaller air carriers that cater to Southeast's smaller communities or special groups such as air sightseers. The small carriers were not the only segment of air transportation that grew as larger carriers and airport ground services also experienced some employment growth. The other transportation sector, where ground transportation operators such as Westours are counted, also benefitted from the increase in tourism.

A portion of the employment increases in water transportation during the year are also attributable to increased tourism in Southeast Alaska. The fortunes of this industry, however, are most closely tied to the lumber and paper products sector. Since the wood products industry had another banner year of employment growth water transportation had some spin-off employment growth also.

Communications and utilities employment fell in Southeast Alaska by almost 90 jobs in 1987 due to drops in utilities related employment. Telephone communications was the biggest loser among this category but other utilities such as electric companies and electronic media were also had losses.

Trade and services employment increased slightly during the course of the year. In trade, the wholesale sector bounced back while some sectors of retail trade fell off. Eating and

drinking establishment employment fell off but food store employment increased. This is probably due to two factors. People have been eating out less as their incomes have dropped. In addition, many food stores have added take-out delicatessens which is in direct competition with low cost eating and drinking establishments.

In services, hotel and motel employment increased on the strength of the summer tourist season. Several operators speculated that increased occupancy in Southeast hotels was due to efforts to market the region to the independent traveler. Medical services continues to be a growing component of the services industry. Some of the growth can be attributed to the emergence of the Southeast Alaska Regional Health Center (SEARHC) as a private provider of medical services to the region. Business and personal services grew slightly during the year but the largest category all other services fell off dramatically. This category includes services like engineers and architects which have contracted with the construction industry. It also includes membership organizations and clubs which in general are dependant upon discretionary spending and income that is not available as it was during the first half of the 80s.

Finance, insurance, and real estate and government were the largest employment losers in 1987. Finance-insurance and real estate struggled as the overall economy contracted. The absorption of Bank of the North by National Bank of Alaska as well as attrition has taken its toll on employment throughout the banking industry. The lone bright spot in finance-insurance and real estate may be the healthy outlook for many of the regions native corporations.

Government contracted in all three sectors with local and state government sectors of the region taking the brunt of the losses. Juneau in particular was hard hit by the drop in government. Federal government employment declined slightly in Southeast continuing a trend that established itself early in the decade. Local and state government dropped precipitously with the dramatic drop off in the state's oil revenue in 1986. Most of the employment drops in state and local government occurred

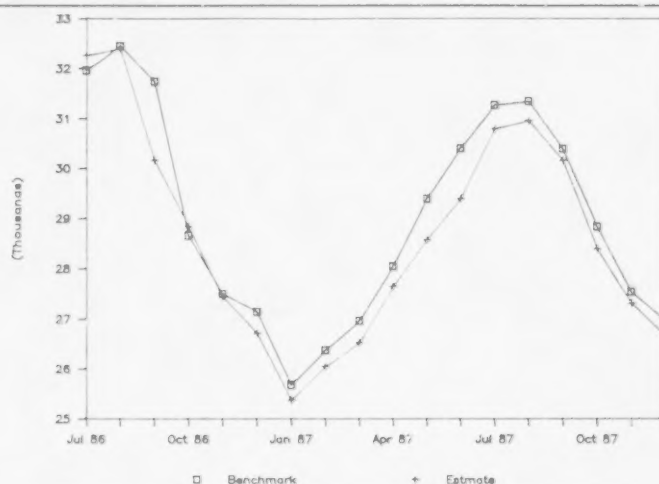
with the beginning of the new state fiscal year in July of 1986 or were phased in during the course of the following 12 months. From June of 1986 to June of 1987 state and local government lost about 10% of its total combined employment, by December 1987 comparisons to the previous year were showing drops of less than 4%.

Original Estimates Compared to Benchmark Estimates

As explained in greater detail in the following article of this issue of *Alaska Economic Trends*, revised employment estimates for 1986 and 1987 are the result of a procedure referred to as benchmarking. As a result of benchmarking, the revised employment numbers better indicate the economy's direction as well as the magnitude and dynamics of that direction.

Figure 1 compares the original estimates to the estimates made after the benchmark. In general the original estimates were underestimated beginning with the first quarter of 1987. A combination of factors explains the difference between the two series. First of all sample data did not indicate the relative strength of the construction industry in Southeast Alaska during the year. Most year-to-year comparisons of establishment data projected construction employment losses to be in the neighborhood of 10-15% over-the-year. The benchmark revisions upward were

Figure 1
Southeast Alaska Employment
Estimate vs. Benchmarked



quite surprising especially given the weakness of construction industry employment on a statewide basis.

Another industry which outperformed the sample data was lumber and paper products. The employer sample data indicated a broad rally in this sector but the sample consists largely of well established firms. While these firms tended to grow at a rapid pace during the year their growth was outstripped by logging firms outside of the sample of employers.

Revised Employment, Labor Force and Hours and Earnings

By Edward W. Eboch

At the first of each year, nonagricultural wage and salary employment estimates are revised for the preceding eighteen months by a procedure referred to as benchmarking. The revised employment estimates for 1987 have just been completed.

The monthly estimates of employment published in *Alaska Economic Trends* are based on a sample of employers. The most comprehensive count of nonagricultural wage and salary employment is based on unemployment insurance tax reports, commonly referred to as ES-202 data, however, there is a six to nine month lag in collection and publication of this information.

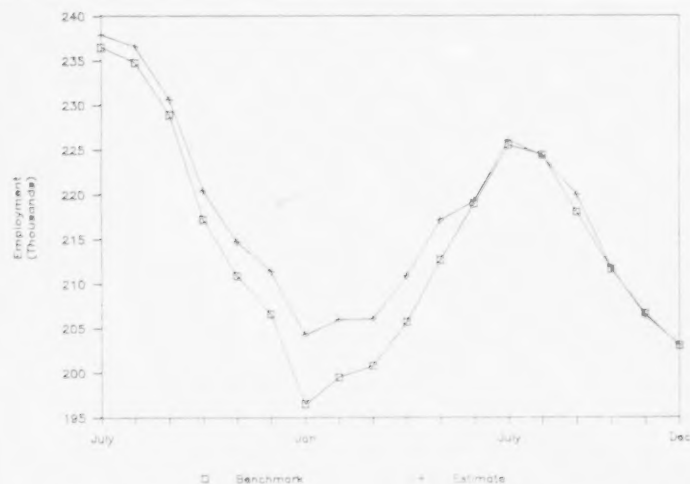
Table 1
Nonagricultural Wage and Salary Employment
By Place of Work
ALASKA
1987

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annual Average
Nonag. Wage & Salary	196,600	199,300	200,800	205,500	212,600	219,100	225,600	224,400	217,900	211,700	206,500	203,100	210,300
Mining	7,900	7,900	7,900	8,300	8,500	9,000	8,900	8,800	8,800	8,800	8,400	8,200	8,500
Construction	8,800	8,700	8,800	9,200	10,500	11,900	12,500	13,300	12,600	11,900	10,100	8,800	10,600
Manufacturing	8,400	9,600	10,200	11,700	13,600	15,400	22,400	20,500	15,400	13,000	11,800	10,500	13,500
Seafood Processing	3,500	4,100	4,500	5,700	7,200	8,700	15,800	13,800	8,800	6,400	5,500	4,600	7,400
Lumber & Paper Prod.	1,800	2,300	2,500	2,900	3,100	3,300	3,200	3,300	3,300	3,300	3,100	2,800	2,900
All Other Manufacturing	3,100	3,200	3,200	3,100	3,300	3,400	3,400	3,400	3,300	3,300	3,200	3,100	3,300
Transportation	16,400	16,400	16,800	16,700	17,800	19,300	19,400	19,300	18,900	17,800	17,100	17,000	17,700
Trucking & Warehousing	2,100	2,000	2,200	2,200	2,400	2,600	2,700	2,600	2,500	2,500	2,400	2,400	2,400
Water Transportation	700	800	1,000	900	1,100	1,200	1,300	1,200	1,100	1,000	900	900	1,000
Air Transportation	4,900	4,900	4,900	5,000	5,300	5,700	5,800	5,500	5,300	5,200	5,200	5,200	5,300
All Other Transportation	8,700	8,700	8,700	8,600	9,000	9,800	9,700	9,700	9,800	9,000	8,600	8,500	9,100
Trade	38,700	38,400	38,400	39,200	41,300	43,400	43,900	44,600	43,700	41,800	41,700	41,400	41,400
Wholesale	7,200	7,200	7,200	7,200	7,400	7,600	7,700	7,600	7,300	7,300	7,300	7,300	7,400
Retail	31,500	31,200	31,200	32,000	33,900	35,800	36,200	37,000	36,400	34,500	34,400	34,100	34,000
Gen Mer & Apparel	4,600	4,400	4,400	4,400	4,700	5,100	5,100	5,300	5,200	5,100	5,300	5,400	4,900
Food Stores	5,500	5,500	5,600	5,600	5,900	6,000	6,000	6,100	6,200	6,000	6,000	6,000	5,900
Eating & Drinking Pl.	11,400	11,400	11,400	11,800	12,600	13,700	13,900	14,300	13,900	12,400	12,200	11,800	12,600
All Other Retail	10,000	9,900	9,800	10,200	10,700	11,000	11,200	11,300	11,100	11,000	10,900	10,700	10,700
Finance Ins. & R.E.	11,400	11,400	11,300	11,300	11,300	11,400	11,300	11,100	11,000	10,900	10,800	10,800	11,200
Services	40,000	40,300	40,800	41,600	42,400	44,100	44,300	43,700	41,900	40,800	40,300	40,300	41,700
Government	65,000	66,600	66,600	67,500	67,200	64,600	62,900	63,100	65,600	66,700	66,100	66,100	65,700
Federal	17,000	17,000	17,100	17,600	18,000	18,400	18,500	18,600	18,500	18,400	18,300	18,300	18,000
State	18,100	19,200	19,300	19,500	18,400	18,200	17,800	18,200	18,900	19,500	19,000	18,700	18,700
Local	29,900	30,400	30,200	30,400	30,800	28,000	26,600	26,300	28,200	28,800	28,800	29,100	29,000

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark date March 1987.

Figure 1
Employment Estimate vs. Benchmarked



Current monthly employment is therefore estimated from a sample of firms willing to participate in the Current Employment Statistics (CES) program. The willingness of firms to provide data makes it possible to produce reliable estimates as to direc-

tion and magnitude of movements of nonagricultural wage and salary employment on a timely basis.

Revised estimates have been completed through December 1987. These employment numbers incorporate ES-202 data through June 1987. Employment has been reestimated from July 1987 to the end of the year using the new employment base and an improved sample.

There has been one change in the reported data. Beginning with these numbers the category food and kindred products in manufacturing has been changed to include only seafood processing employment. This category had traditionally been referred to as seafood processing employment when in fact it included a small number of employees in other food processing. Because of the interest of the seafood processing sector of the economy we now have a better count of seafood processing employment.

After lagging for the first half of 1987, the original estimates tracked the benchmarked employment numbers

Table 2
Nonagricultural Wage and Salary Employment
By Place of Work
ANCHORAGE
1987

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annual Average
Nonag. Wage & Salary	98,300	98,550	99,100	100,350	101,800	103,650	103,500	103,550	103,050	101,300	99,950	99,700	101,100
Mining	3,150	3,150	3,250	3,300	3,200	3,250	3,150	3,200	3,200	3,300	3,200	3,100	3,200
Construction	4,650	4,650	4,700	4,850	5,450	6,200	6,550	6,950	6,550	6,300	5,450	4,800	5,600
Manufacturing	2,000	2,050	2,100	2,200	2,400	2,650	2,950	2,800	2,400	2,200	2,050	1,900	2,300
Transportation	8,750	8,750	9,000	9,000	9,550	10,150	9,950	9,950	10,050	9,550	9,300	9,200	9,400
Trucking & Warehousing	1,300	1,250	1,500	1,450	1,650	1,700	1,650	1,700	1,650	1,500	1,450	1,450	1,500
Water Transportation	200	250	250	300	350	350	350	300	300	300	250	250	300
Air Transportation	3,000	3,000	3,000	3,050	3,150	3,350	3,350	3,400	3,300	3,200	3,150	3,100	3,200
All Other Transportation	4,250	4,250	4,250	4,200	4,400	4,750	4,600	4,550	4,800	4,550	4,450	4,400	4,500
Trade	22,800	22,550	22,450	22,600	22,950	23,900	23,850	24,050	24,150	23,650	23,850	24,000	23,400
Wholesale	5,550	5,500	5,500	5,450	5,450	5,600	5,550	5,450	5,400	5,300	5,300	5,300	5,400
Retail	17,250	17,050	16,950	17,150	17,500	18,300	18,300	18,600	18,750	18,350	18,550	18,700	18,000
Gen. Merch. & Apparel	2,300	2,250	2,150	2,200	2,300	2,450	2,450	2,500	2,600	2,550	2,800	2,900	2,500
Food Stores	2,800	2,750	2,850	2,750	2,750	2,850	2,800	2,800	2,900	2,850	2,850	2,950	2,800
Eating & Drinking Pl.	6,750	6,750	6,700	6,700	6,850	7,350	7,350	7,550	7,550	7,150	7,050	6,950	7,100
All Other Retail	5,400	5,300	5,250	5,500	5,600	5,650	5,700	5,750	5,700	5,800	5,850	5,900	5,600
Finance-Ins. & R.E.	7,700	7,650	7,600	7,600	7,550	7,600	7,600	7,350	7,250	7,200	7,100	7,150	7,400
Services	23,300	23,450	23,600	24,050	24,250	24,650	24,100	24,000	23,550	23,050	23,000	23,300	23,700
Government	25,950	26,400	26,400	26,750	26,450	25,250	25,350	25,250	25,900	26,050	26,000	26,250	26,000
Federal	10,050	10,050	10,100	10,200	10,300	10,450	10,700	10,700	10,650	10,500	10,450	10,550	10,400
State	6,450	6,900	6,950	7,000	6,550	6,450	6,300	6,350	6,750	6,950	6,550	7,000	6,700
Local	9,450	9,450	9,350	9,550	9,600	8,350	8,350	8,200	8,500	8,600	8,600	8,700	8,900

Table 3
Nonagricultural Wage and Salary Employment
By Place of Work
ANCHORAGE-MATSU
1987

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annual Average
Nonag. Wage & Salary	104,650	105,050	105,600	106,750	108,400	110,500	110,000	110,100	109,550	107,900	106,350	105,850	107,600
Mining	3,150	3,150	3,250	3,300	3,200	3,250	3,150	3,200	3,200	3,300	3,200	3,100	3,200
Construction	4,900	4,850	4,900	5,100	5,700	6,500	6,800	7,300	6,800	6,500	5,650	4,950	5,800
Manufacturing	2,050	2,100	2,200	2,300	2,450	2,750	3,100	2,900	2,500	2,300	2,100	1,950	2,400
Transportation	9,450	9,450	9,650	9,700	10,250	10,800	10,650	10,600	10,700	10,250	9,900	9,800	10,100
Trade	24,350	24,150	24,050	24,150	24,700	25,650	25,600	25,800	25,850	25,300	25,450	25,550	25,100
Finance-Ins. & R.E.	8,150	8,100	8,100	8,050	8,000	8,050	8,050	7,800	7,700	7,650	7,550	7,600	7,900
Services	24,300	24,450	24,700	25,050	25,300	25,800	25,250	25,150	24,750	24,200	24,200	24,400	24,800
Government	28,300	28,800	28,750	29,100	28,800	27,700	27,400	27,350	28,050	28,400	28,300	28,500	28,300

fairly accurately from mid-1987 to the end of the year (Figure 1). A weakness in the sample based estimates in a declining economy is making an estimate of lost employment because of firms closing. While an adjustment was made in the estimates for this problem it was not sufficient to account for the rapid decline in the trade and services industries.

On an average annual basis, employment fell by 4.7% from 1986 to 1987, after falling by 4.4% the previous year. By late 1987 the over-the-year losses were moderating; the employment data suggesting that the worst is over for the economy. (For additional analysis of the past year see the Alaska article in this issue, "The Year in Review.")

While the latest unemployment rates supports this conclusion it certainly does not mean the economy is healthy. Preliminary population migration data indicates that Alaska had a net outmigration of about 20,000 people from mid-1985 to mid 1987. Additional net outmigration has occurred since that time although continued net outmigration seems unlikely as by historic standards there are sufficient jobs for the current labor force, although they may be in new occupations and at lower wages.

Hours and Earnings Statistics

The hours and earning estimates are also based on the data from employers. The estimates are then adjusted to reflect the level of employment.

Table 4
Nonagricultural Wage and Salary Employment
By Place of Work
FAIRBANKS
1987

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annual Average
Nonag. Wage & Salary	23,950	24,200	24,350	25,000	25,700	26,850	26,750	26,750	26,500	25,950	25,200	24,550	25,500
Mining	100	100	100	150	150	200	200	150	100	50	50	50	100
Construction	1,150	1,150	1,150	1,250	1,550	1,900	2,000	2,100	2,250	2,100	1,700	1,450	1,600
Manufacturing	500	500	500	500	500	550	600	600	600	600	500	500	500
Transportation	2,150	2,100	2,050	2,050	2,200	2,350	2,400	2,350	2,350	2,050	2,000	1,900	2,200
Trucking & Warehousing	350	350	350	350	350	350	400	350	350	350	350	300	400
Air Transportation	350	350	300	300	350	350	300	300	300	300	300	300	300
All Other Transportation	1,450	1,400	1,400	1,400	1,500	1,650	1,700	1,700	1,700	1,400	1,350	1,300	1,500
Trade	4,850	4,800	4,850	5,200	5,650	6,050	5,850	5,800	5,750	5,550	5,550	5,500	5,500
Wholesale	750	750	750	750	750	800	800	700	700	750	700	700	700
Retail	4,100	4,050	4,100	4,450	4,900	5,250	5,050	5,100	5,050	4,800	4,850	4,800	4,700
Food Stores	650	650	650	700	700	700	700	850	850	850	850	850	800
All Other Retail	3,450	3,400	3,450	3,750	4,200	4,550	4,350	4,250	4,200	3,950	4,000	3,950	4,000
Finance-Ins. & R.E.	650	900	900	900	900	950	950	950	950	900	900	900	900
Services	5,300	5,350	5,400	5,400	5,500	5,900	6,000	5,950	5,550	5,350	5,250	5,200	5,500
Government	8,950	9,300	9,400	9,550	9,250	8,950	8,750	8,850	8,950	9,350	9,250	9,050	9,100
Federal	2,650	2,700	2,700	2,850	2,950	3,000	3,000	2,950	2,850	2,800	2,750	2,750	2,800
State	3,600	3,900	3,950	3,950	3,550	3,400	3,300	3,550	3,700	4,050	4,000	3,800	3,700
Local	2,700	2,700	2,750	2,750	2,750	2,550	2,450	2,350	2,400	2,500	2,500	2,500	2,600

Table 5
Nonagricultural Wage and Salary Employment
By Place of Work
INTERIOR
1987

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annual Average
Nonag. Wage & Salary	27,300	27,600	27,750	28,750	29,950	31,150	30,950	31,050	30,850	30,000	28,950	28,100	29,400
Mining	200	200	200	250	300	350	350	300	250	200	200	200	300
Construction	1,250	1,200	1,250	1,400	1,750	2,100	2,250	2,400	2,500	2,300	1,800	1,500	1,800
Manufacturing	500	500	500	500	550	600	600	600	600	600	550	500	600
Transportation	2,400	2,400	2,400	2,400	2,550	2,750	2,800	2,750	2,700	2,450	2,250	2,200	2,500
Trade	5,100	5,050	5,100	5,500	6,100	6,500	6,350	6,350	6,200	5,900	5,900	5,850	5,800
Finance-Ins. & R.E.	1,000	1,000	950	950	1,000	1,050	1,050	1,050	1,000	1,000	950	950	1,000
Services	5,700	5,750	5,800	5,900	6,000	6,600	6,700	6,650	6,150	5,750	5,650	5,500	6,000
Government	11,150	11,500	11,550	11,850	11,700	11,200	10,850	10,950	11,450	11,800	11,650	11,400	11,400

When the employment data are benchmarked, the hours and earnings are reviewed to see if additional sample or changes in employment levels from earlier estimates have changed the estimates for hours and earnings.

As is usually the case, hours and earnings estimates have changed, primarily as a result of additional firms in our sample, but also because benchmarked estimates of employment have also changed. Note that the ES-202 data does not lend itself to estimates of average weekly hours and earnings, important indicators to the direction of the economy.

Increasing average weekly hours usually indicate an expanding economy, leading to a future increase in employment, whereas declining average weekly hours usually indicate that the economy is contracting and that employment will decline. The benchmarked hours and earnings data also suggest that Alaska's economy has bottomed out.

Labor Force Statistics

Labor force statistics are also benchmarked in January using the new nonagricultural wage and salary numbers as well as other updated data. The employment numbers in the

Table 6
Nonagricultural Wage and Salary Employment
By Place of Work
SOUTHEAST ALASKA
1987

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annual Average
Nonag. Wage & Salary	25,650	26,350	27,050	28,050	29,300	30,450	31,250	31,350	30,400	28,900	27,450	26,950	28,600
Construction	850	950	1,000	1,050	1,200	1,250	1,250	1,300	1,200	1,100	1,000	850	1,100
Manufacturing	2,500	2,950	3,150	3,800	4,200	4,700	5,350	5,500	4,900	4,550	3,900	3,600	4,100
Seafood Processing	600	600	550	800	1,000	1,300	2,000	2,100	1,550	1,250	700	700	1,100
Lumber & Paper Prod.	1,700	2,150	2,400	2,800	3,000	3,150	3,100	3,200	3,150	3,100	3,000	2,700	2,800
All Other Manufacturing	200	200	200	200	200	250	250	200	200	200	200	200	200
Transportation	1,750	1,800	2,000	1,900	2,100	2,500	2,450	2,450	2,350	2,000	1,900	1,950	2,100
Trade	4,100	4,050	4,200	4,300	4,650	4,950	5,050	5,100	4,900	4,500	4,300	4,300	4,500
Wholesale	350	350	400	400	400	400	450	450	400	400	350	350	400
Retail	3,750	3,700	3,800	3,900	4,250	4,550	4,600	4,650	4,500	4,100	3,950	3,950	4,100
Finance-Ins. & R.E.	1,050	1,050	1,050	1,050	1,050	1,050	1,100	1,100	1,100	1,000	1,000	1,050	1,100
Services	4,300	4,300	4,400	4,550	4,750	5,000	5,050	5,000	4,900	4,600	4,450	4,250	4,600
Government	11,050	11,200	11,200	11,350	11,300	10,900	10,900	10,800	10,950	11,000	10,800	10,850	11,000
Federal	1,850	1,800	1,850	1,900	1,950	2,050	2,050	2,050	2,050	2,000	1,900	1,900	1,900
State	5,000	5,100	5,100	5,150	5,050	4,950	4,950	4,900	4,950	5,000	4,850	4,800	5,000
Local	4,200	4,300	4,250	4,300	4,300	3,900	3,900	3,850	3,950	4,000	4,050	4,150	4,100

Table 7
Nonagricultural Wage and Salary Employment
By Place of Work
GULF COAST
1987

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annual Average
Nonag. Wage & Salary	16,650	17,250	17,600	18,350	20,200	21,100	23,850	23,800	20,850	19,650	18,850	18,200	19,700
Mining	700	650	650	700	800	800	800	900	950	850	850	850	800
Construction	850	850	850	850	1,000	1,100	1,250	1,300	1,250	1,250	950	800	1,000
Manufacturing	1,950	2,350	2,650	3,100	3,950	4,250	7,250	7,000	4,250	3,550	3,400	3,000	3,900
Seafood Processing	1,350	1,750	2,050	2,500	3,350	3,650	6,650	6,400	3,650	2,950	2,800	2,400	3,300
All Other Manufacturing	600	600	600	600	600	600	600	600	600	600	600	600	600
Transportation	1,200	1,250	1,250	1,250	1,300	1,400	1,400	1,350	1,350	1,300	1,250	1,300	1,300
Trade	3,150	3,100	3,150	3,350	3,800	4,100	4,050	3,950	3,650	3,500	3,450	3,400	3,600
Wholesale	400	400	450	500	550	650	650	600	500	400	400	400	500
Retail	2,750	2,700	2,700	2,850	3,250	3,450	3,400	3,350	3,150	3,100	3,050	3,000	3,100
Finance-Ins. & R.E.	600	600	600	550	550	600	600	600	600	600	600	550	600
Services	2,950	3,000	3,000	3,100	3,350	3,550	3,600	3,650	3,400	3,150	3,100	3,050	3,200
Government	5,250	5,450	5,450	5,450	5,450	5,300	4,900	5,050	5,400	5,450	5,250	5,250	5,300
Federal	500	500	500	500	550	600	600	600	600	550	500	500	500
State	1,400	1,500	1,500	1,550	1,450	1,450	1,450	1,500	1,600	1,600	1,400	1,450	1,500
Local	3,350	3,450	3,450	3,400	3,450	3,250	2,850	2,950	3,200	3,300	3,350	3,300	3,300

labor force table differ from the nonagricultural wage and salary numbers because of the methodology used in making estimates. Nonagricultural wage and salary employment is considered the better indicator of changes in employment whereas the labor force data is considered the better measure of job prospects and the current hardships of people looking for work.

Unemployment can increase in a rapidly expanding economy as well as a rapidly declining economy. This oc-

curred in Alaska in the 1980s. When the economy was expanding, people rushed to Alaska, increasing the number of unemployed until they found jobs. The effect was a rapidly expanding labor force, increasing numbers of unemployed.

In early 1987, the unemployment rate increased dramatically. As 1987 progressed, the unemployment rate declined to levels normally associated with a stable Alaska economy, one more sign of a bottoming economic downturn.

Table 8
Average Weekly Earnings
1987

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
Mining	\$1,197.84	\$1,170.18	\$1,119.55	\$1,156.76	\$1,126.17	\$1,125.19	\$1,090.68	\$1,060.34	\$1,078.52	\$1,096.93	\$1,134.48	\$1,201.18	\$1,128.68
Construction	884.14	892.80	887.73	950.02	957.59	1,002.71	1,017.56	1,093.11	957.12	990.07	841.98	891.33	958.81
Manufacturing	466.32	510.14	520.38	541.08	508.04	488.99	458.72	524.39	496.87	506.46	511.52	542.03	503.49
Lumber & Paper	539.98	643.14	624.25	670.77	721.18	662.20	580.78	716.45	682.56	732.79	662.15	683.99	665.98
Seafood Processing	213.82	273.60	319.50	366.08	319.49	334.27	390.95	435.86	347.27	284.97	311.81	308.85	349.14
Transportation	584.37	573.05	546.87	565.44	570.02	558.96	584.07	575.24	579.74	581.57	585.10	567.00	572.63
Trade	355.38	367.50	360.91	384.75	361.86	377.9	381.98	371.13	365.04	356.64	350.12	345.83	364.68
Wholesale	480.48	511.00	497.07	535.22	505.59	522.72	534.71	525.10	517.59	520.97	511.54	529.15	516.30
Retail	312.48	316.63	312.00	332.19	313.14	329.00	329.31	320.13	315.88	303.32	298.04	286.60	313.92
Finance, Ins. & R.E.	\$ 388.28	\$ 409.22	\$ 379.95	\$ 389.99	\$ 379.22	\$ 380.14	\$ 381.90	\$ 391.40	\$ 387.77	\$ 394.45	\$ 407.86	\$ 390.10	\$ 389.90

Table 9
Average Weekly Hours
1987

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
Mining	49.6	49.5	47.6	48.4	47.8	48.9	48.8	47.4	47.2	47.2	48.9	49.8	48.4
Construction	37.4	38.4	38.1	39.7	39.8	41.4	42.1	43.9	38.3	40.1	35.2	36.5	39.6
Manufacturing	33.5	40.2	42.9	43.6	42.6	42.3	47.0	48.6	40.2	39.2	39.9	40.3	42.7
Lumber & Paper	38.0	43.9	41.7	43.5	46.2	43.0	38.9	44.5	43.2	45.6	42.5	42.3	43.0
Seafood Processing	26.3	38.0	45.0	44.0	41.6	42.1	49.3	50.8	38.5	35.4	38.4	38.8	43.1
Transportation	36.5	36.2	34.7	36.2	36.1	35.9	36.3	36.5	36.6	36.6	36.5	36.0	36.2
Trade	33.4	33.5	32.9	34.2	32.6	34.9	35.5	34.3	33.8	33.3	32.6	32.2	33.6
Wholesale	39.0	38.8	37.6	38.7	38.1	39.6	41.1	39.6	38.8	39.2	38.9	38.4	39.0
Retail	31.5	31.6	31.2	32.6	30.7	33.3	33.5	32.5	33.2	31.4	30.6	30.2	31.8
Finance, Ins. & R.E.	34.3	35.4	33.3	34.3	33.5	33.2	33.5	33.8	33.4	33.4	35.1	34.1	33.9

Table 10
Average Hourly Earnings
1987

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Average
Mining	\$24.15	\$23.64	\$23.52	\$23.90	\$23.56	\$23.01	\$22.35	\$22.37	\$22.85	\$23.24	\$23.20	\$24.12	\$23.31
Construction	23.64	23.25	23.30	23.93	24.06	24.22	24.17	24.90	24.99	24.69	23.92	24.42	24.22
Manufacturing	13.92	12.69	12.13	12.41	11.87	11.56	9.76	10.79	12.36	12.92	12.82	13.45	11.79
Lumber & Paper	14.21	14.65	14.97	15.42	15.61	15.40	14.93	16.10	15.80	16.07	15.58	16.17	15.50
Seafood Processing	8.13	7.20	7.10	8.32	7.68	7.94	7.93	8.58	9.02	8.05	8.12	7.96	8.11
Transportation	16.01	15.83	15.76	15.62	15.79	15.57	16.09	15.76	15.84	15.89	16.03	15.75	15.83
Trade	10.64	10.97	10.97	11.25	11.10	10.83	10.76	10.82	10.80	10.71	10.74	10.74	10.85
Wholesale	12.32	13.17	13.22	13.83	13.27	13.20	13.01	13.26	13.34	13.29	13.15	13.78	13.23
Retail	9.92	10.02	10.00	10.19	10.20	9.88	9.83	9.85	9.81	9.66	9.74	9.49	9.88
Finance, Ins. & R.E.	\$11.32	\$11.56	\$11.41	\$11.37	\$11.32	\$11.45	\$11.40	\$11.58	\$11.61	\$11.81	\$11.62	\$11.44	\$11.49

Benchmark March 1987.

¹ Prepared in cooperation with the Bureau of Labor Statistics, U.S. Department of Labor.

² Excluded eating and drinking establishments.

AVERAGE HOURS AND EARNINGS SERIES: Averages are based on data for full and part time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing) and are for gross earnings and hours paid, including overtime pay and hours.

Table 11
Alaska
Unemployment Rates
by Region and Census Area
1987

	Jan	Feb	March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	1987 Annual Average	1986 Annual Average	1985 Annual Average
Alaska Statewide	13.1%	13.3%	13.4%	12.5%	11.5%	11.0%	9.5%	8.9%	8.5%	9.2%	9.8%	10.0%	10.8%	10.9%	9.6%
Anch-MatSu Region	10.9	11.2	11.5	11.1	10.4	9.8	8.9	8.5	8.0	8.4	8.9	8.5	9.7	9.5	8.3
Anchorage Borough	9.5	9.9	10.2	9.8	9.3	8.7	7.7	7.4	7.1	7.3	7.6	7.3	8.5	8.4	7.2
MatSu Borough	21.1	21.0	21.4	20.8	19.0	18.2	17.9	16.4	15.0	16.3	18.5	17.4	18.6	18.3	15.9
Gulf Coast Region	18.7	18.5	18.0	16.2	13.2	12.9	10.2	9.1	9.9	11.8	11.9	13.1	13.4	14.3	12.0
Kenai Peninsula Borough	21.7	21.7	21.1	19.5	15.8	15.3	12.9	11.4	12.3	14.6	14.8	15.4	16.1	17.0	13.8
Kodiak Island Borough	9.9	7.8	7.3	6.4	6.8	7.7	4.6	3.9	4.2	4.8	5.0	6.6	6.1	7.9	8.4
Valdez-Cordova	18.1	19.1	19.4	15.1	10.9	9.5	6.7	6.6	7.6	9.4	9.6	12.6	11.7	11.6	9.7
Interior Region	17.7	18.4	17.7	16.9	15.9	14.8	12.6	12.0	11.1	12.2	13.1	13.9	14.6	14.5	12.3
Fairbanks North Star Bor.	17.0	17.5	16.8	16.1	15.1	14.1	12.2	11.7	11.0	11.9	12.6	13.3	14.0	14.3	12.0
Southeast Fairbanks	19.5	20.4	20.0	18.9	17.2	15.4	12.4	12.7	11.3	12.9	15.0	15.7	15.9	15.3	12.6
Yukon-Koyukuk	23.6	25.3	25.8	23.8	22.7	22.1	17.1	15.4	12.6	14.9	16.6	18.3	19.9	16.7	15.8
Northern Region	11.1	12.3	13.7	12.3	13.2	14.9	12.2	11.1	8.6	6.8	9.4	9.7	11.3	11.4	11.2
Nome	10.5	14.6	16.4	14.5	15.3	16.3	13.4	12.8	10.5	7.6	10.8	11.5	12.9	13.5	11.9
North Slope Borough	7.0	5.8	7.2	5.8	7.1	8.1	6.1	5.6	4.0	3.5	4.8	5.8	5.9	6.0	8.8
Northwest Arctic Borough	17.1	17.3	18.1	17.4	18.1	21.4	18.3	15.7	12.0	10.2	13.2	12.5	16.0	15.3	13.4
Southeast Region	14.4	13.6	13.4	10.4	9.2	8.7	7.7	7.0	6.9	7.9	9.0	9.8	9.7	10.2	10.2
Haines Borough	21.4	19.0	19.3	12.9	11.8	10.8	9.6	8.6	7.2	9.7	13.0	14.5	13.1	13.6	13.7
Juneau Borough	9.3	8.9	9.2	7.9	7.2	6.7	7.2	6.6	6.0	5.9	6.7	6.6	7.3	8.5	7.9
Ketchikan Gateway Bor.	14.5	12.6	13.3	11.2	10.0	9.6	7.0	6.7	6.9	8.1	8.5	8.7	9.7	10.7	10.6
Pr. of Wales Outer Ketchikan	24.4	22.9	19.9	16.0	14.0	13.8	10.7	9.7	11.6	12.8	13.9	14.4	15.2	14.5	14.3
Sitka Borough	9.5	11.0	10.2	9.0	8.7	7.7	7.2	6.1	6.4	7.8	9.8	9.6	8.5	8.7	9.8
Skagway-Yakutat-Angoon	28.1	27.9	26.4	16.4	12.6	10.5	11.0	10.4	10.8	14.5	17.6	22.8	17.5	16.9	17.9
Wrangell-Petersburg	23.3	21.4	21.0	13.8	11.5	11.0	7.6	6.4	6.1	9.1	10.4	14.3	13.0	11.3	12.1
Southwest Region	9.5	10.2	11.3	10.9	9.8	11.2	7.0	7.1	7.2	7.9	6.8	8.2	8.9	8.5	7.9
Aleutian Island	4.7	4.2	4.5	4.6	4.1	4.4	2.5	2.6	3.1	3.4	2.9	3.2	3.6	3.4	2.6
Bethel	9.7	10.3	12.1	12.2	11.9	14.3	10.0	9.9	9.5	9.2	7.8	9.0	10.5	10.3	9.9
Bristol Bay Borough	17.4	18.3	17.0	11.8	7.6	6.3	3.5	4.5	6.4	13.7	12.2	13.3	10.8	8.9	7.9
Dillingham	10.8	13.0	13.5	12.5	10.8	10.6	4.3	4.3	5.0	7.7	7.2	8.5	8.8	8.0	7.1
Wade Hampton	15.3	16.7	18.6	18.2	15.2	18.1	12.3	12.6	12.5	12.2	10.8	14.8	14.7	14.1	13.7

A note to the data user: Tables 1-7 and 11 replace all previously published employment and unemployment data for 1987. Revisions of these data series were also made to the last half of 1986. To obtain a complete set of revised data for 1986, contact Research and Analysis, Labor Market Information Unit. Hours and earnings data (Tables 8, 9, and 10) were only revised for 1987.

Alaska's Employment Scene

By Brian Rae

Followers of Alaska's economy have heard it before—conjecture that the economy has "hit bottom." Predictions that the value of Alaska's resources, and the state's income, will stabilize at or above their current levels. Promises that more money will be spent in 1988 for development than was spent in 1987. These followers also know that prophecies can be hit by forces similar to those that blindsided Alaska's economy in 1986.

Given these caveats, there are positive signs which were nonexistent a few months ago. The recent bust caused a Darwinian selection process throughout Alaska's businesses. The fit survivors, some leaner than before, have retrenched and should be better able to withstand future economic shakeups. For the short term, business decisions will probably be approached with more focus towards economic reality and less tendency to ride the tide of the business cycle.

These survivors, for the most part, express optimism towards the state's future. Such prophecies, when held by the major players in any arena, are usually self-fulfilling. Amplified by seasonal upturns experienced by our economy during the spring and promises of major investments during the next year, January's employment scene may well indicate the beginning of the state's economic turnaround. The factors most often monitored by economic forecasters are indicating this swing—if we can avoid those external forces which can blindside the economy.

Table 1
Nonagricultural Wage and Salary Employment
By Place of Work
Alaska

	Changes From:					
	p/	r/	1,88	12,87	1,87	12,87
Nonag. Wage & Salary	196,000	203,100	196,600	-7,100	-600	
Mining	8,200	8,200	7,900	0	300	
Construction	7,600	8,800	8,800	-1,200	-1,200	
Manufacturing	11,000	10,500	8,400	500	2,600	
Seafood Processing	5,900	4,600	3,500	1,300	2,400	
Lumber & Paper Prod.	2,200	2,800	1,800	-600	400	
All Other Manufacturing	2,900	3,100	3,100	-200	-200	
Transportation	16,600	17,000	16,400	-400	200	
Trucking & Warehousing	2,400	2,400	2,100	0	300	
Water Transportation	800	900	700	-100	100	
Air Transportation	5,100	5,200	4,900	-100	200	
All Other Transportation	8,300	8,500	8,700	-200	-400	
Trade	38,500	41,400	38,700	-2,900	-200	
Wholesale	7,000	7,300	7,200	-300	-200	
Retail	31,500	34,100	31,500	-2,600	0	
Gen. Mer. & Apparel	4,600	5,400	4,600	-800	0	
Food Stores	5,700	6,000	5,500	-300	200	
Eating & Drinking Pl.	10,900	11,800	11,400	-900	-500	
All Other Retail	10,300	10,900	10,000	-600	300	
Finance, Ins. & R.E.	10,700	10,800	11,400	-100	-700	
Services	39,400	40,300	40,000	-900	-600	
Government	64,000	66,100	65,600	-2,100	-1,000	
Federal	17,900	18,300	17,000	-400	900	
State	18,000	18,700	18,100	-700	-100	
Local	28,100	29,100	29,500	-1,000	-1,800	

Prepared in cooperation with the U.S. Bureau of Labor Statistics. Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date: 1967

p/ Denotes Preliminary Estimates
r/ Denotes Revised Estimates

Industry Employment

Alaska's **construction industry** employment experienced the largest percentage losses both over-the-month and over-the-year of any industry, at 13.2% and 13.5%, respectively. (See Table 1) Hourly earnings were down seventy cents, while weekly hours dropped 1.2 hours. (See Table 8) The entire industry showed weaknesses over the year except in one area. Heavy construction showed moderate employment increases for the year, though its highly seasonal nature contributed to a 21% decrease over the month. Reflecting the weakened condition of the economy, general construction employment posted a 25% decrease over the year, which impacted other areas of the economy.

Although the drop in wages might indicate otherwise, the **manufacturing** sector is quite strong compared to a year ago. **Seafood processing** employment increased 29% over-the-month and 67% for the year. This was accompanied by a 1.8 hour per week increase over-the-month and a 14.3 hour increase for the year. Weekly hours have been increasing in this industry since October. Historically, seafood processing employment ex-

periences extreme drops in the winter. This season, processors over a large geographic area are handling a wide variety of products. Bait her- ring and crab kept Southeast proces- sors busy during January, while Gulf Coast and Southwest processed crab and bottomfish. Some processors, to provide year round employment, are using the slower winter months for fi- nal packaging, labeling, and shipping of their canned products.

For those areas where seafood processing is the major industry, un- employment rates actually declined between December and January, in contrast to the statewide unemploy- ment rate which increase to 10.8%. Average hourly earnings preliminary

estimates for this industry show a bet- ter than 50 cent/hour average in- crease over the month.

Lumber and paper products employ- ment jumped 17.6% from January 1987. This increase is even more im- pressive when one considers the 23.7% employment loss over-the- month. Accordingly, both weekly hours and hourly earnings showed heavy losses when compared with December, with weekly earnings fall- ing by \$170. This loss is both a nor- mal seasonal downturn combined with harsh weather related shut- downs. Still, wages are higher than a year ago, and the outlook for this in- dustry is good. Possible expansion into Southcentral Alaska, though

Table 2
Nonagricultural Wage and Salary Employment
By Place of Work
Anchorage

	Changes From:				
	p/	r/	1.87	12.87	1.87
	1.88	12.87	1.87	12.87	1.87
Nonag. Wage & Salary	95,950	99,700	98,300	-3,750	-2,350
Mining	3,200	3,100	3,150	100	50
Construction	4,100	4,800	4,650	-700	-550
Manufacturing	1,800	1,900	2,000	-100	-200
Transportation	8,850	9,200	8,750	-350	100
Trucking & Warehousing	1,350	1,450	1,300	-100	50
Water Transportation	200	250	200	-50	0
Air Transportation	3,000	3,100	3,000	-100	0
All Other Transportation	4,300	4,400	4,250	-100	50
Trade	22,450	24,000	22,800	-1,550	-350
Wholesale	5,150	5,300	5,550	-150	-400
Retail	17,300	18,700	17,250	-1,400	50
Gen. Merch. & Apparel	2,350	2,900	2,300	-550	50
Food Stores	2,950	2,950	2,800	0	150
Eating & Drinking Pl.	6,500	6,950	6,750	-450	-250
All Other Retail	5,500	5,900	5,400	-400	100
Finance-Ins. & R.E.	7,050	7,150	7,700	-100	-650
Services	22,950	23,300	23,300	-350	-350
Government	25,550	26,250	25,950	-700	-400
Federal	10,550	10,550	10,050	0	500
State	6,350	7,000	6,450	-650	-100
Local	8,650	8,700	9,450	-50	-800

Table 3
Nonagricultural Wage and Salary Employment
By Place of Work
Anchorage-MatSu

	Changes From:				
	p/	r/	1.87	12.87	1.87
	1.88	12.87	1.87	12.87	1.87
Nonag. Wage & Salary	102,200	105,850	104,650	-3,650	-2,450
Mining	3,200	3,100	3,150	100	50
Construction	4,300	4,950	4,900	-650	-600
Manufacturing	1,900	1,950	2,050	-50	-150
Transportation	9,450	9,800	9,450	-350	0
Trade	24,000	25,550	24,350	-1,550	-350
Finance-Ins. & R.E.	7,500	7,600	8,150	-100	-650
Services	24,050	24,400	24,300	350	-250
Government	27,800	28,500	28,300	700	-500

Table 4
Nonagricultural Wage and Salary Employment
By Place of Work
Fairbanks

	Changes From:				
	p/	r/	1.87	12.87	1.87
	1.88	12.87	1.87	12.87	1.87
Nonag. Wage & Salary	23,400	24,550	23,950	-1,150	-550
Mining	50	50	100	0	-50
Construction	1,150	1,450	1,150	-300	0
Manufacturing	500	500	500	0	0
Transportation	1,900	1,900	2,150	0	-250
Trucking & Warehousing	300	300	350	0	-50
Air Transportation	300	300	350	0	-50
All Other Transportation	1,300	1,300	1,450	0	-150
Trade	4,900	5,500	4,850	-600	50
Wholesale	650	700	750	-50	-100
Retail	4,250	4,800	4,100	-550	150
Food Stores	750	850	650	-100	100
All Other Retail	3,500	3,950	3,450	-450	50
Finance-Ins. & R.E.	850	900	950	-50	-100
Services	5,200	5,200	5,300	0	-100
Government	8,850	9,050	8,950	-200	-100
Federal	2,700	2,750	2,650	-50	50
State	3,650	3,800	3,600	-150	50
Local	2,500	2,500	2,700	0	-200

Table 5
Nonagricultural Wage and Salary Employment
By Place of Work
Interior

	Changes From:				
	p/	r/	1.87	12.87	1.87
	1.88	12.87	1.87	12.87	1.87
Nonag. Wage & Salary	26,950	28,100	27,300	-1,150	-350
Mining	200	200	200	0	0
Construction	1,200	1,500	1,250	-300	-50
Manufacturing	500	500	500	0	0
Transportation	2,200	2,200	2,400	0	-200
Trade	5,300	5,850	5,100	-550	200
Finance-Ins. & R.E.	900	950	1,000	-50	-100
Services	5,450	5,500	5,700	-50	-250
Government	11,200	11,400	11,150	-200	50

slowed by problems with timber access, would only bolster this growth.

The transportation industry has shown great variations between different sectors. For the year, both communication utilities and local passenger transportation are down significantly. This, combined with normal seasonal decreases, caused the transportation industry to lose almost 10% in employment and experience a preliminary drop of almost 40 cents/hour in average hourly earnings for the month. The bright spot in this industry is transportation services, posting large employment gains as a result of the strong wood

products and seafood industries.

Increasing by 0.1 percent, retail trade employment has, over-the-year, fared better than the total industry average, which lost 0.2%. Over-the-month, however, post Christmas cutbacks caused a drop in employment of 7.5% in this sector. This reduced workforce saw a 0.4 hour increase in their average weekly hours. Total retail trade employment has been held down by two types of establishments, eating and drinking places and retail building and furniture stores. Both of these rely heavily on construction activity. The link between retail building and furniture stores and construction is obvious. Eating and drinking employment includes catering. Most employment in catering occurs on large construction projects, where companies provide food preparation, serving, and housekeeping duties for construction workers.

Wholesale trade has experienced a decline in employment over-the-year, but fell less over-the-month than the all industry average. Preliminary weekly hours increased by 1.7 hours between December and January, with wages remaining nearly stable. Combined wholesale and retail trade has experienced a slight employment decrease over-the-year, and a large but somewhat expected decrease of 6.8% over-the-month.

Geographic Employment Trends

Southeast experienced appreciable growth over-the-month in three industries. Noneducation state government employment increased with the start of the legislature, the finance, insurance and real estate sector showed noteworthy growth in Southeast, but the bright spot in the area's economy was seafood processing, where employment increased by over 30 percent. This was more than offset, however, by heavy losses in the lumber and paper products sector, located predominantly in Southeast, which led to an 11.7% decrease in manufacturing employment for the area.

Increasing activities in oil and gas saved Anchorage-MatSu from experiencing across the board decreases in employment for the month. Mining employment increased 3.4%, mainly on the strength

Table 6
Nonagricultural Wage and Salary Employment
By Place of Work
Southeast Alaska

	Changes From:				
	p/1/88	r/12/87	1/87	12/87	1/87
Nonag. Wage & Salary	25,950	26,950	25,650	-1,000	300
Construction	850	850	850	0	0
Manufacturing	3,150	3,600	2,500	-450	650
Seafood Processing	900	700	600	200	300
Lumber & Paper Prod.	2,050	2,700	1,700	-650	350
All Other Manufacturing	200	200	200	0	0
Transportation	1,750	1,950	1,750	-200	0
Trade	4,100	4,300	4,100	-200	0
Wholesale	350	350	350	0	0
Retail	3,750	3,950	3,750	-200	0
Finance-Ins. & R.E.	1,050	1,050	1,050	0	0
Services	4,250	4,250	4,300	0	-50
Government	10,700	10,850	11,050	-150	-350
Federal	1,850	1,900	1,850	-50	0
State	4,850	4,800	5,000	50	-150
Local	4,000	4,150	4,200	-150	-200

Table 7
Nonagricultural Wage and Salary Employment
By Place of Work
Gulf Coast

	Changes From:				
	p/1/88	r/12/87	1/87	12/87	1/87
Nonag. Wage & Salary	17,800	18,200	16,650	-400	1,150
Mining	750	850	700	-100	50
Construction	700	800	850	-100	-150
Manufacturing	3,000	3,000	1,950	0	1,050
Seafood Processing	2,400	2,400	1,350	0	1,050
All Other Manufacturing	600	600	600	0	0
Transportation	1,300	1,300	1,200	0	100
Trade	3,300	3,400	3,150	-100	150
Wholesale	400	400	400	0	0
Retail	2,900	3,000	2,750	-100	150
Finance-Ins. & R.E.	550	550	600	0	-50
Services	2,950	3,050	2,950	-100	0
Government	5,250	5,250	5,250	0	0
Federal	500	500	500	0	0
State	1,400	1,450	1,400	-50	0
Local	3,350	3,300	3,350	50	0

Table 8
Alaska Hours and Earnings for Selected Industries ^{1/2}

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	P/ 1/88	R/ 12/87	1/87	P/ 1/88	R/ 12/87	1/87	P/ 1/88	R/ 12/87	1/87
Mining	\$1,164.02	\$1,201.18	\$1,197.84	48.1	49.8	49.6	\$24.20	\$24.12	\$24.15
Construction	837.32	891.33	884.14	35.3	36.5	37.4	23.72	24.42	23.64
Manufacturing	476.00	542.03	466.32	39.7	40.3	33.5	11.99	13.45	13.92
Seafood Processing ..	345.10	308.85	213.82	40.6	38.8	26.3	8.50	7.96	8.13
Lumber & Paper Prod ..	513.36	683.99	539.98	34.5	42.3	38.0	14.88	16.17	14.21
Trans., Comm. & Util. ..	553.32	567.00	584.37	36.0	36.0	36.5	15.37	15.75	16.01
Trade	358.05	345.83	355.38	33.0	32.2	33.4	10.85	10.74	10.64
Wholesale	550.17	529.15	480.48	40.1	38.4	39.0	13.72	13.78	12.32
Retail	292.84	286.60	312.48	30.6	30.2	31.5	9.57	9.49	9.92
Finance-Ins. & R.E.	383.09	390.10	388.28	34.7	34.1	34.3	11.04	11.44	11.32

Benchmark March 1987.

¹ Prepared in cooperation with the Bureau of Labor Statistics US Department of Labor

² Excludes eating and drinking establishments

AVERAGE HOURS AND EARNINGS SERIES: Averages are based on data for full and part time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing) and are for gross earnings and hours paid, including overtime pay and hours.

of oil field services. Both construction and trade experienced large employment decreases for the month, with construction and manufacturing showing the largest percentage losses for the year, at 11.8% and 9%, respectively.

The **Gulf Coast** region showed gains in transportation and local government employment for the month, in contrast to a total employment loss of 2.3%. For the year, this is one of only two regions showing employment increases, up 7.5%. The Kodiak Island Borough and the Valdez-Cordova census area, aided by strong seafood processing, showed declines in their unemployment rates, to 5.8% and 11.9%, respectively.

The **Southwest** region is the other area showing a yearly employment increase. Seafood processing employment increased by 950, or 70%, for the month. Unemployment dropped to 7.1%, compared to 8.2% last month and 9.5% last year. All five Southwest census areas or boroughs showed lower unemployment rates over both time frames. Finance, insurance, and real estate was the only sector with an over-the-year decrease in employment for the region, indicating the regions overall economic strength.

Fairbanks and the **Interior** had few bright spots in their monthly employment numbers. For both areas, local government was the only industry to show growth, although some service sectors showed small increases. Overall, Fairbanks employment was down by over 1,100 between December and January, a 4.4% decrease.

Losses in construction and services over-the-year, and construction and mining over-the-month, have caused the **Northern** region to post the largest percentage employment losses of all regions. Monthly employment has decreased by 4.5%, while the yearly figure is 5.5% lower.

Conclusion

Ironically, those areas of the state showing the most strength are the same ones impacted least by the oil boom. Although the statewide unemployment rate increased by 0.8%, 10 of the 23 census areas showed decreases in their unemployment rates, and only 2 census areas showed higher unemployment rates than a year ago.

Just as Alaska's economic downturn was a product of several factors, it appears that strength in several sectors will enhance our economic recovery.

Unseasonal strength in seafood processing has tempered the state's economic slide, and given the economy a stronger base on which to build. Lumber and paper products, though hampered by weather during January, continues to show strong growth. The strength of these two sectors should allow manufacturing to play an important role in the state's economic recovery. With a boost from other seasonal industries such as tourism, and the potential for increased activities in oil and gas, the economy may, over the next several months, regain some of the ground lost over the past two years.

Table 9
Labor Force By Region and Census Area

	Labor Force			Unemployment			Rate			Employment		
	P/ 1/88	R/ 12/87	1/87	P/ 1/88	R/ 12/87	1/87	P/ 1/88	R/ 12/87	1/87	P/ 1/88	R/ 12/87	1/87
Alaska Statewide	233,295	237,724	233,039	25,174	23,706	30,567	10.8	10.0	13.1	208,121	214,018	202,472
Anch.-MatSu Region	124,300	126,818	125,699	11,439	10,718	13,667	9.2	8.5	10.9	112,861	116,100	112,032
Anchorage Borough	109,614	112,404	110,429	8,776	8,215	10,445	8.0	7.3	9.5	100,838	104,189	99,984
MatSu Borough	14,686	14,414	15,270	2,663	2,503	3,222	18.1	17.4	21.1	12,023	11,911	12,048
Gulf Coast Region	24,963	25,243	23,650	3,534	3,318	4,425	14.2	13.1	18.7	21,429	21,925	19,225
Kenai Peninsula Bor	16,192	16,196	15,328	2,808	2,502	3,321	17.3	15.4	21.7	13,384	13,694	12,007
Kodiak Island Bor	5,238	5,406	4,912	304	358	486	5.8	6.6	9.9	4,934	5,048	4,426
Valdez-Cordova	3,533	3,641	3,410	422	458	618	11.9	12.6	18.1	3,111	3,183	2,792
Interior Region	34,245	35,578	35,096	4,920	4,943	6,226	14.4	13.9	17.7	29,325	30,635	28,870
Fairbanks North Star Br	29,392	30,546	30,071	4,055	4,077	5,127	13.8	13.3	17.0	25,337	26,469	24,944
Southeast Fairbanks	2,073	2,120	2,091	362	333	407	17.5	15.7	19.5	1,711	1,787	1,684
Yukon-Koyukuk	2,780	2,912	2,934	503	533	692	18.1	18.3	23.6	2,277	2,379	2,242
Northern Region	7,519	7,749	7,676	768	754	850	10.2	9.7	11.1	6,751	6,995	6,826
Nome	2,934	3,007	2,903	365	345	306	12.4	11.5	10.5	2,569	2,662	2,597
North Slope Borough ..	2,616	2,734	2,703	131	159	190	5.0	5.8	7.0	2,485	2,575	2,513
Northwest Arctic Bor ...	1,969	2,008	2,070	272	250	354	13.8	12.5	17.1	1,697	1,758	1,716
Southeast Region	31,201	31,510	30,952	3,727	3,083	4,450	11.9	9.8	14.4	27,474	28,427	26,502
Haines Borough	843	839	850	150	122	182	17.8	14.5	21.4	693	717	668
Juneau Borough	13,176	13,573	13,028	927	898	1,211	7.0	6.6	9.3	12,249	12,675	11,817
Ketchikan Gateway Br	6,175	6,151	6,122	746	534	885	12.1	8.7	14.5	5,429	5,617	5,237
Pr. of Wales-Outer Ktch	2,519	2,379	2,511	550	342	612	21.8	14.4	24.4	1,969	2,037	1,899
Sitka Borough	3,627	3,771	3,513	332	362	335	9.2	9.6	9.5	3,295	3,409	3,178
Skagway-Yakutat-Ang	1,701	1,629	1,631	485	371	458	28.5	22.8	28.1	1,216	1,258	1,173
Wrangell-Petersburg	3,160	3,168	3,297	537	454	767	17.0	14.3	23.3	2,623	2,714	2,530
Southwest Region	11,067	10,826	9,966	786	890	949	7.1	8.2	9.5	10,281	9,936	9,017
Aleutian Islands	3,051	2,956	2,726	90	95	129	2.9	3.2	4.7	2,961	2,861	2,597
Bethel	4,264	4,191	3,830	320	379	371	7.5	9.0	9.7	3,944	3,812	3,459
Bristol Bay Borough ...	400	398	379	43	53	66	10.8	13.3	17.4	357	345	313
Dillingham	1,989	1,940	1,806	152	165	195	7.6	8.5	10.8	1,837	1,775	1,611
Wade Hampton	1,363	1,341	1,225	181	198	188	13.3	14.8	15.3	1,182	1,143	1,037

P/ Preliminary R/ Revised 1987 Benchmark

Federal guidelines require the use of unrounded labor force data, adjusted to be consistent with the Current Population Survey (CPS) in formulas used to allocate federal funds. Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor, because Alaska's CPS sample size is inadequate to accurately indicate monthly changes in level. The sampling errors are random in nature, meaning that the unemployment rates, in any given month, are as likely to be high as frequently as they are low. The official definitions of unemployment, currently in place, exclude anyone who has made no attempt to find work in the four week period up to and including the week that includes the twelfth of each month. Most economists feel that Alaska's rural localities have proportionately more of these discouraged workers.

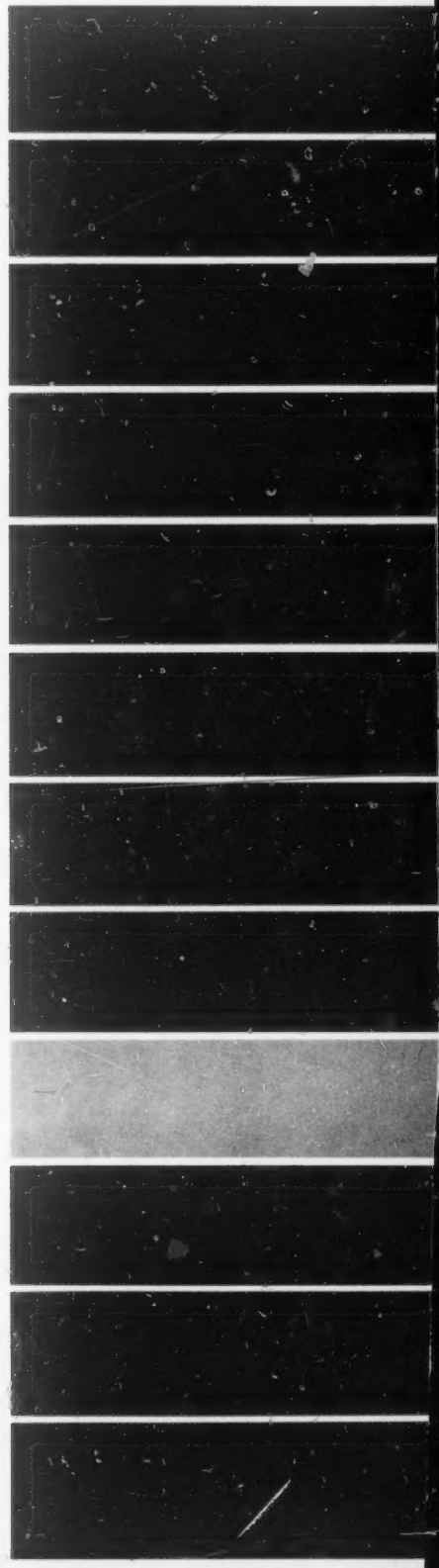
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ALASKA ECONOMIC TRENDS



April
1988

Alaska Employment
Forecast: 1988-1989

Anchorage Employment
Forecast: 1988-1989

Fairbanks Employment
Forecast: 1988-1989

Southeast Alaska
Employment Forecast:
1988-1989

Alaska's Employment
Scene

Alaska Economic Trends

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The following notes pertain to Nonagricultural Wage and Salary Employment Tables:

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark date March 1987.

P/ Denotes preliminary estimates.

R/ Denotes revised estimates.

Alaska's Employment Forecast: 1988-1989

By John Boucher

Introduction

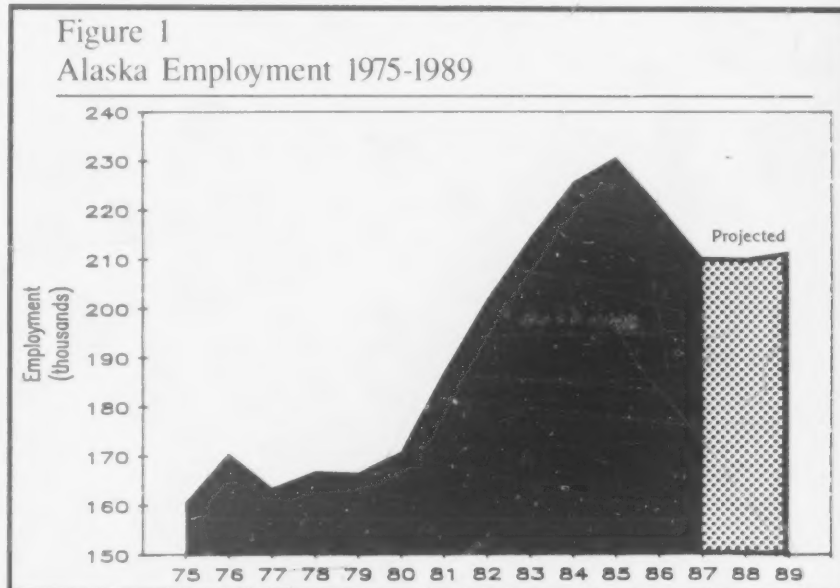
Alaska is going headlong toward 1990 with a guarded apprehensiveness about the future of the state's economy. Since the mid 1970s the economy of the state has been inexorably linked to the price of one commodity-oil. With a large portion of Alaska's economic well-being tied to the price of oil, the economy has been subject to the fluctuations which inevitably occur to the price of that commodity. Add to this the fact that the world oil market is best described as volatile, and the foundation for uncertainty about the future of Alaska's economy is firmly in place.

There is no event on the horizon which will magically extricate Alaska's economy from its dependence upon world oil markets. The price of oil and the associated employment and revenue it provides the state will be the single most important factor in determining the direction that the Alaskan economy takes in the near future. Other events in the next two years can stabilize Alaska's economy and produce overall employment growth if oil prices foster the stability in industries which have been responsible for most of the employment losses during the past two years (Figure 1).

Despite the dependence of the economy upon oil, some sectors are thriving and will lead the state to employment growth provided that oil prices stay stable. Tourism activity is anticipated to increase in the next two years. Initial bookings are up over 1987, and current exchange rates are favorable for the industry. Foreign tourists will find a visit to Alaska more affordable and Americans who would otherwise travel abroad will find Alaska relatively less expensive.

The tourism industry could receive the beginning of a major windfall in winter tourist activity in 1989 if Anchorage is selected as the site for the 1994 Winter Olympic Games. Selection of the site for the 1994 games will occur this fall. Sofia, Bulgaria is currently considered Anchorage's leading competitor in the effort to land the games. If the Anchorage bid falls short but makes a strong showing, benefits could still accrue to the winter tourist business from continued promotion of Anchorage as a premiere winter sports destination.

Hard rock mining will make some inroads in 1988 and continue to post employment growth through 1989. The Green's Creek Mine is anticipated to come on line in late 1988 and reach peak employment by mid 1989. The Red Dog mining venture is expected to come on line near the end of the forecast period. Besides



these two mining ventures, no new major mine (100 or more employees) is expected to come into production in the forecast period. A significant contribution to employment in this industry will be smaller mines and the exploration and development of projects which may come on line in the early 1990s.

The manufacturing industry is expected to be the outstanding performer in terms of employment growth during the forecast period. The export and production of Alaska's natural resources, primarily

fish and timber, are expected to propel manufacturing's share of total wage and salary employment to 7%. Manufacturing has not played this large a role in wage and salary employment since 1980.

Military expansion is expected to continue in Fairbanks although it may not be as large as originally planned. The scaling back of the number of civilians will dampen the potential economic benefit to Fairbanks, but the expansion will still have a positive effect on the economy.

Other smaller projects and proposals are on the drawing board and hold promise for future employment growth, however they will have a relatively small impact on Alaska's economy. Two events which are highly unlikely but would revise the forecast significantly upward are 1) if the price of oil were to increase to over \$20/bbl. and be perceived to remain there for the foreseeable future or 2) if contracts for North Slope natural gas were signed.

Table 1
State Government Employment
Yearly Trend and Six Month Average Trend 1985-1987

Year	Annual Average	Percent Change	6 Month Average	Percent Change
(1st Half) 1985 (2nd Half)	20,467	-	20,234 20,699	- 2.3
(1st Half) 1986 (2nd Half)	20,184	-1.4	20,579 19,781	-0.5 -3.8
(1st Half) 1987 (2nd Half)	18,739	-7.2	18,784 18,695	-5.0 -0.5

Assumptions

A forecast is a prediction of what will happen in the future given certain assumptions. In the forecasting process arriving at the assumptions upon which to base the forecast can be the most critical stage. The assumptions are crucial because oftentimes they influence the results of the forecast. There are several specific assumptions in this forecast in addition to the generalities discussed above.

The price of oil is expected to average between \$14 and \$17/bbl. throughout the forecast period. The State of Alaska's capital and operat-

ing budget for fiscal 1989 (beginning July 1, 1988) is expected to be in the range of \$2.0 billion. The budget for the following state fiscal year is anticipated to be no larger than the expected budget for FY89.

The yen/\$ exchange ratio, which has been favorable to the growth of Alaska's manufacturing industry, is anticipated to remain so.

In examining the overall impact of the forecast it is important to keep in mind that the timing of employment changes is very important. This timing problem can cause distortions in the annual averages and as such the annual average doesn't always reflect perceptions of what is happening in an industry. In government employment, particularly state and local government, changes tend to occur at mid-year (the beginning of the state fiscal year). In calculating the annual average, the average for the first half of the year and the second half of the year may differ significantly and the annual average may under or overstate changes. For example Table 1 shows annual average employment in state government and compares it to the six month averages for the same period. This illustrates the danger of relying solely on annual average trends.

Table 2 gives the statewide employment forecast by industry while each major industry is discussed in detail below. In addition to the statewide forecast, there are employment forecasts for the Anchorage, Fairbanks and Southeast Alaska regions. While each forecast was made independently, all of the forecasts assumed the same price of oil and level of state spending. Individual assumptions crucial to regional forecasts were incorporated into the statewide forecast. The statewide forecast anticipates that the Anchorage economy will exert a drag on total employment growth in 1988 with a return to slow employment growth in 1989 after losses in Anchorage subside.

Mining

The mining industry is composed of oil and gas extraction, metal and nonmetal mining. The oil and gas sector accounts for over 90% of employment in this industry.

Table 2
Alaska
Industry Employment Forecast
1988-1989

	1985	1986	1987	1988	Percent Change 87-88	1989	Percent Change 88-89
Total Nonag Wage & Salary	230,610	220,681	210,252	210,150	-0.0	211,450	0.6
Mining	9,513	9,080	8,461	8,700	2.8	9,100	4.6
Construction	18,605	13,372	10,594	9,950	-6.1	9,900	-0.5
Manufacturing	12,095	12,548	13,535	14,400	6.4	14,750	2.4
Transportation	18,684	17,949	17,733	17,850	0.7	17,900	0.3
Wholesale	8,732	8,142	7,362	7,400	0.5	7,400	0.0
Retail	37,069	35,522	34,001	33,900	-0.3	34,000	0.3
F.I.R.E.	12,766	12,431	11,159	10,900	-2.3	10,900	0.0
Services	44,810	43,657	41,742	41,400	-0.8	41,500	0.2
Federal	17,567	17,592	17,987	18,200	1.2	18,300	0.5
State	20,467	20,184	18,739	18,750	0.1	18,750	0.0
Local	30,303	30,205	28,940	28,700	-0.8	28,950	0.9

Assumptions

1. Price of oil will remain in the \$14-17/bbl. range.
2. The state's operating and capital budget for both FY 89 & 90 will be approximately \$2.0 billion.
3. Yen/\$ exchange rate continues to promote growth in Alaska manufacturing industry.

As 1987 closed there were signs of a return to activity on the North Slope and Kenai Peninsula. The recent fluctuations in the price of oil may cause some industry nervousness but as of this writing exploration and development activity planned for 1988 exceeds last years. The Prudhoe Bay field is gradually approaching a point where more wells are needed to keep production at its current levels. It is typical of an oil field to become more labor intensive as it ages and therefore the outlook for Prudhoe Bay related oil and gas employment is for continued growth throughout the forecast period.

Metal mining will have significant growth during the forecast period. Green's Creek near Juneau and Red Dog near Kotzebue will be making substantial contributions by 1990. A number of other ventures will make smaller contributions to employment, primarily in exploration and development. A few projects will be producing during the forecast period but they will be small in scale compared to Red Dog and Green's Creek. Percentage-wise, metal mining will probably be the fastest growing sector in terms of employment in Alaska's economy during the next two years.

Nonmetal mining employment is not expected to experience any signifi-

cant change in employment during the next two years. The two largest components of this sector are coal mining and sand and gravel extraction. Sand and gravel is tied to the fortunes of the construction industry so this industry could be expected to lose employment during the next two years. Coal mining will not make any significant employment additions. Production at Alaska's lone coal mine could be expanded without a tremendous amount of additional labor.

There are some potential large contributors to employment but they will not occur during the forecast period. The Beluga coal field is not currently competitive given existing technology and the world market for coal. The same can be said for the molybdenum rich Quartz Hill mine near Ketchikan. In the long term however, these two projects may contribute significantly to Alaskan mining employment.

Construction

The construction industry has taken the largest employment losses during the past several years. Every sector which contributed to the run up in construction employment in the early 1980s has trimmed back significantly during the last three years. Given the recent performance of the industry it would be easiest to fore-

cast a continued downward spiral for the next two years. However, the statewide forecast looks for construction employment to continue downward in 1988 but at a slower rate and then flatten out in 1989.

Residential and commercial construction is expected to remain at its currently depressed levels, especially in the urban markets. The largest bright spot in residential construction will be the military, which is planning on continuing housing expansion on Fort Wainwright. Residential and commercial construction will have pockets of activity throughout the state. Seward for example will have to accommodate the new employees which will staff the Springs Creek Correctional Facility. These small pockets of residential and commercial activity will not be enough to offset the continuing declines in Anchorage in 1988, however as Anchorage losses abate, these areas will help the industry stabilize in 1989.

Other major players in Alaska's construction industry are expected to either hold steady or increase activity during the forecast period. The worst seems to be over for the oil industry and oil and gas related construction is anticipated to increase. The list of scheduled projects include the rebuilding of the Steelhead oil platform in Cook Inlet, a refinery in Valdez and modules to be built by VECO for the North Slope.

The federal government will continue to be a steady source of construction employment as federal highway and airport dollars, the Forest Service, Post Office and military will all make contributions. State funded construction, which has become less of a dominant factor, will contribute to employment but scaled back from 1987 levels. The most significant project will be the Bradley Lake hydroelectric dam near Homer.

Manufacturing

The manufacturing industry is projected to be the greatest contributor to new jobs during the next two years. Much of the employment gains will be in the seafood processing sector. In Alaskan seafood circles salmon is the most prominent species in terms of employment and value. The

burgeoning bottomfish fishery is challenging other species for the second spot.

The employment growth related to the bottomfish fishery is significant for several reasons. It provides the seafood processor and harvester with off-season income and activity, a plus for an industry which experiences 70-80% of its activity in three months of the year. The off-season activity helps diversify the industry and provides income and employment opportunities in areas of Alaska which often have limited wage and salary employment opportunities during the winter months.

The timber industry will also contribute to employment growth in manufacturing. Southeast's pulp mills have just come off one of their most productive years in recent memory. Closed sawmills are reopening their doors and new investment is taking place. Provided exchange rates remain favorable the outlook in the timber industry is for steady growth.

Manufacturing employment which is not timber or seafood related is dominated by newspapers and printing and publishing firms. The outlook for this portion of the manufacturing industry foresees little change and perhaps some slow growth in newspapers serving Alaska's smaller communities. One bright spot in this sector for the next two years will be the Ketchikan shipyard. Employment could double from its current level by the summer of 1989.

Transportation, Communications and Utilities

This industry covers a broad range of activities which makes the outlook for the industry as a whole mixed. Some sectors of transportation will be benefactors of increased tourism activity. Air transportation, some ground transportation and to a lesser extent water transportation will all be impacted positively by a growing number of Alaskan tourists. The air and water transportation sectors should also benefit from growth in mining and manufacturing activity in Alaska's smaller communities. Logging camps, remote seafood processors and mine exploration groups will have to transport people and supplies

and air and water are the two most likely modes of transport.

For other portions of the industry little change or continued losses are projected. Trucking and warehousing is expected to experience some losses as the construction industry continues to struggle. Communications and utilities are expected to have relatively small changes in employment because population is not being lost at the rate it was during 1986 & early 1987.

Trade

Lower incomes, declining population and uncertainty about Alaska's economic future all helped push wholesale and retail trade into employment losses the last two years. As all three of these factors stabilize during the course of 1988 employment losses will subside.

When the losses do subside though some sectors will emerge in much better shape than others. Construction related wholesale and retail trade will be one sector which continues to experience employment losses. Examples of this type of establishment are building and material supply stores, hardware stores and construction related machinery.

Durable goods retailers such as car dealers, furniture stores and large appliance retailers will be better off than construction related retailers. This is because many consumers put off the purchase of big ticket items due to past uncertainty about the economy. As consumer confidence returns, sales of durable goods are expected to pick up and employment will stabilize and experience some small growth.

Food stores and general merchandise and apparel stores have already indicated the start of the turnaround in trade employment. These retailers represent what might be termed necessity item purchases. Although population losses and income declines spurred employment drops in these sectors, they were among the first to recover. As of February, both of these sectors were posting employment growth over-the-year.

Finance-Insurance and Real Estate

Employment losses and other difficulties this industry has faced during the past 18 months have been well documented. Bank closures and consolidations, high foreclosure rates and a huge inventory of residential and commercial real estate are all a lamentable part of this industry's current picture.

Unfortunately, there is nothing on the horizon which will turn Alaska's real estate market around in the next two years. While single family home sales have picked up recently, no relief is in sight for the condominium, multi-unit, and mobile home markets.

One of the most crucial factors to Alaska's overall economy will be how the large inventory of foreclosed properties are managed by institutions such as the Alaska Housing Finance Corporation (AHFC), and the Federal Deposit Insurance Corporation (FDIC). Wholesale liquidation of foreclosed properties would drive down property values even further and exacerbate the problem of "negative equity" which many property owners are already too familiar with.

In terms of employment in this industry, the worst of the losses are behind. Many banks and credit unions continue to struggle but are turning the corner. Employment losses are projected to continue through the end of 1988 but level off in 1989.

Services

Much like the other support industries of transportation and trade the outlook for the services industry is mixed. Overall, services is expected to lose employment in 1988 and follow that with a slight gain in 1989.

The services sector encompasses a broad range of activity: from hotel and motel operators to architects; dry cleaners to auto repair; bowling alleys to hospitals. In general the trend of service industry employment is dependant upon disposable income, of which there is much less in Alaska than there was two years ago.

Some essential services such as medical and health care services are projected to have employment growth throughout the forecast peri-

od. Services which are closely tied to the tourism industry, such as hotels and motels and some recreational services, will also have some employment growth.

Services which are almost entirely dependant upon local consumers such as beauty shops, dry cleaners and membership organizations are expected to continue to lose employment but at a much slower rate than the past two years. As incomes stabilize and the economic outlook improves these services will rebound into slight employment growth.

Government

Dramatic declines in state and local government employment took place in 1986 and 1987. These losses are expected to reverse themselves by the end of the forecast period. Federal government employment has been growing largely due to staffing associated with the 6th Light Infantry Division, but these gains are expected to subside and perhaps even reverse themselves during the forecast period. A change of administration may have a dramatic impact on federal government employment in the future, but the changes would probably not take place until the end of the forecast period.

State government employment is expected to experience a small increase in 1988. This estimate may be on the conservative side given the budget submitted by the governor. Additional staffing of the Department of Corrections for the Springs Creek facility in Seward is included but it is anticipated that cuts may have to occur elsewhere to bring the facility up to full strength. As of this writing the legislature was faced with projected revenue of approximately \$1.8 billion and a proposed budget about \$400 million in excess of that. Clearly a cautious forecast about state government employment growth is warranted, but flexibility in terms of alternate revenue sources and employee contracts allows for some growth.

Local governments must struggle with the same fiscal difficulties as the state government. In part this is due to local governments' dependence upon state funds for their operations of both the education and noneducational functions they provide. If recent

trends are any indication, Alaskan local governments are more likely to scale back services or trim operating expenditures in response to financial difficulties than raise local taxes. With property values in most cities and boroughs dropping the pressure on local governments to cut expenditures will remain. Those areas which are almost entirely dependant upon state funds will almost certainly face no growth or cutbacks in employment.

One demographic fact will push the education portion of local government into a growth mode as early as 1989. For the foreseeable future Alaska has a larger amount of youngsters entering school than graduating. In some years the projected differences make for an additional 4,000 potential students per year. Additional school staffing will almost have to take place to accommodate the addition of these young people to Alaska's educational system.

Conclusion

Sometime during the next twelve months employment in Alaska will post its first year-to-year employment gain since February of 1986. Mining, manufacturing, and to a lesser extent tourism will be the activities which will lead Alaska out of the longest period of employment contraction in recent memory.

Previous boom and bust cycles have passed through Alaska's economy and each time when the cycle has run its course Alaska has emerged with a larger and more diversified economy. While this rout has been protracted, it is no exception to previous boom and bust cycles. If the forecast for employment through 1989 is accurate, Alaska's economy will head into the 1990s with 40,500 more jobs than at the beginning of the decade. This translates into 24% more jobs and an annual growth rate of 2.2%.

In any economic shake out there are winners and losers. While the surplus of commercial space in many markets is a disaster to some investors, the flip side is that new and existing marginal business ventures may find operating costs lower and be able to make a business viable that might not have been otherwise. While it is a tough pill to swallow there are indi-

cations that the recession has helped Alaska become more competitive with the lower 48 in terms of wages, the overall cost of living and the cost to do business.

The outlook for the immediate future of the Alaskan economy is one of guarded optimism. Optimistic in the fact that employment growth is beginning to overtake employment losses and Alaska is currently on a course

for future growth. However this optimism is guarded because while employment gains in some industries will be realized, overall employment growth is dependant upon the stabilization of the oil and gas industry, government and other secondary industries dependant upon oil. In that sense overall employment growth still rests squarely on the shoulders of that capricious beast—the world oil market.

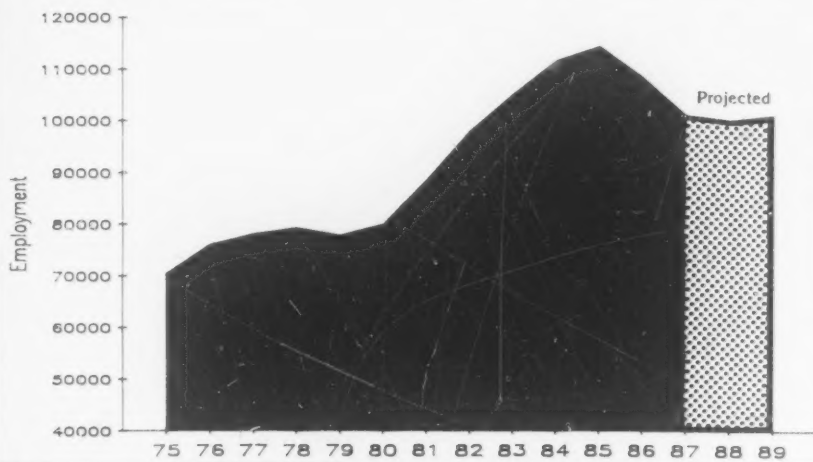
Anchorage Employment Forecast: 1988-1989

By Greg Huff

After two years of employment declines it appears that the recession has nearly run its course, however, given the shaky nature of oil prices and state government expenditures, the impending recovery will be tentative at best. The Anchorage employment forecast, based on sample employment data through February 1988, indicates that by the end of this year overall employment declines will end, replaced by slow job growth through 1989. The net results show total employment declining 1% in 1988 and increasing 0.9% in 1989 (Table 1).

However, by the time Anchorage employment turns around, 14,400 jobs will have been lost, a decline of 12.6% since 1985. Total employment levels would be down to those found in late 1982 (Figure 1). Even with total employment forecasted to increase in 1989, employment levels will remain 4% below 1983's annual average.

Figure 1
Anchorage Employment 1975-1989



Assumptions

Key assumptions during the forecast period include:

- 1) The price of oil will remain the \$14-17/bbl. range.
- 2) The state's operating and capital budget will be approximately \$2.0 billion.
- 3) The fish processing and timber industries current vitality continues.
- 4) Hard rock mining activities around the state continue to pick up.
- 5) Tourism continues to increase.
- 6) Federal government expenditures remain relatively stable in 1988 and fall slightly in 1989.

In addition, the forecast **does not** assume Anchorage will be designated as the site of the 1994 Winter Olym-

pics. The announcement expected this fall would have little direct impact during the forecast period, but it would heighten people's outlook. One direct impact the announcement may have in 1988 would be to give an added push to the proposed ski resort in Eagle River. Construction of the ski resort is not assumed in this forecast. In short, a positive announcement would act as an attitude spring board, while a negative announcement, though a disappointment for many in Anchorage would not impact employment trends projected by this forecast.

Employment Outlook by Sector

The forecast shows a mixed industry performance in 1988. Employment increases are indicated in mining; manufacturing; transportation, communications & utilities; and trade. Losses are predicted in construction; finance-insurance and real estate; services; and government. By 1989 the forecast indicates that only the construction industry remains in the negative category (Figure 2).

Government

In 1988, small increases in federal and state government employment offset much of the declines in local government employment, resulting in a net decline of 50 government jobs.

Federal government employment is expected to grow by 100 jobs, despite the announcement by the Army that several hundred civilian jobs will be lost in Anchorage in 1988 and 1989. Offsetting these declines are gains in Air Force civilian and National Guard employment. With those offsetting changes combined with small net gains elsewhere in federal government, federal employment will increase slightly in 1988.

By late 1988 cutbacks in the Army in addition to federal deficit pressures will cause employment declines which won't be registered until 1989. Any major shifts in the military's policies and/or federal funds could alter this middle of the road forecast.

State government employment will increase approximately 50 jobs in 1988. However, this figure could easily go the other direction. Indications are that employment losses in state

Table 1
Anchorage Employment Forecast
1988 - 1989

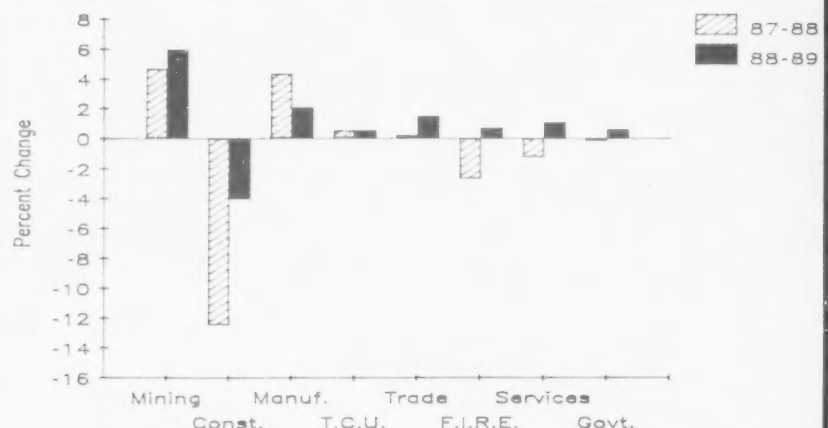
	1987	1988	Percent Change 87-88	1989	Percent Change 88-89
Total Nonag. Employment	101,100	100,100	-1.0	101,000	0.9
Mining	3,200	3,350	4.7	3,550	6.0
Construction	5,600	4,900	-12.5	4,700	-4.1
Manufacturing	2,300	2,400	4.3	2,450	2.1
Trans. Comm. & Utilities	9,400	9,450	0.5	9,500	0.5
Trade	23,400	23,450	0.2	23,800	1.5
Wholesale	5,400	5,300	-1.9	5,350	0.9
Retail	18,000	18,150	0.8	18,450	1.7
Finance-Ins. & R.E.	7,400	7,200	-2.7	7,250	0.7
Services	23,700	23,400	-1.3	23,650	1.1
Government	26,000	25,950	-0.2	26,100	0.6
Federal	10,400	10,500	1.0	10,450	-0.5
State	6,700	6,750	0.7	6,850	1.5
Local	8,900	8,700	-2.2	8,800	1.1

Assumptions

- 1) The price of oil will remain in the \$14-17/bbl. range.
- 2) The state's operating and capital budget will be approximately \$2.0 billion.
- 3) The fish processing and timber industries current vitality continues.
- 4) Hard rock mining activities around the state continue to pick up.
- 5) Tourism continues to increase.
- 6) Federal government expenditures remain relatively stable in 1988 and fall slightly in 1989.

Figure 2

Percent Change in Employment by Major Industry
Anchorage 1987-1988 and 1988-1989



government had abated by early 1988. For example, our sample of state government employment as of February 1988 shows state government employment down only 47 jobs or 0.6% over-the-year compared to the 8% decline since 1985. Moderate growth is anticipated into 1989.

Most local government employment losses are forecasted to take place

during the first half of 1988 and subside during the second half of the year. As of February 1988 local government employment was down 8% or 800 jobs from year-ago figures. Most declines were initiated in mid to late 1987. Some reductions occurred in the number of teachers and other full-time staff, but most of the declines were related to part-time help.

By the second half of 1988 most of these cutbacks will have been completed. With school enrollment stabilizing and the start-up of all day kindergarten local education employment will grow slightly in 1989. In addition, state funds assisting local education are expected to increase.

No major layoffs are anticipated in the noneducational side of local government. It appears negotiations concerning wage and benefit concessions have been effective, cancelling many proposed layoffs. Continued constriction in state government assistance to local governments combined with a falling local tax base will cause some declines through 1988, but by 1989 employment in the municipal government, which includes city owned utilities, will increase slightly.

Mining

The forecast calls for mining to be the growth leader during the forecast period. Employment in this industry is forecast to increase over 10% in the next two years. This is after declines of 26% from 1985 to 1987. The increases in mining employment in 1988 and 1989 are concentrated in the oil and gas sector as drilling and exploration schedules expand on the North Slope.

The rebuilding of the Steelhead platform in Cook Inlet which was destroyed by a blowout last year and VECO's contract to build modules for the North Slope will also cause some employment growth.

If oil prices go above \$18 Milne Point would reopen and above \$20 other development projects currently on hold would take place. Hence, higher oil prices means employment growth above the growth indicated by the forecasted figures. However, if oil and prices fell and stayed below \$13 for a

substantial period the opposite would happen and the oil and gas industry would not post even moderate employment gains.

Construction

There are no indications that the doldrums are over for the construction industry. The forecast indicates employment declines of nearly 13% in 1988 and 5% the following year. These declines put construction employment levels below those of any year since the early 1970's.

The forecast assumes that residential construction picks up slightly this summer with the possibility of 300 single family homes being built during the summer of 1988. This is an increase of nearly 40%. In percentage terms this sounds good, but in absolute terms it can be classified as nothing but a poor year. In terms of residential permit data there hasn't been a time outside of 1987 that fewer homes were built since the late 1960's. Residential construction employment will continue to grow slowly in 1989, but will remain significantly below levels found during the boom years or for that matter below levels of the last 15 years.

Highway and heavy construction will decline slightly in 1988 and stabilize in 1989. The two major highways getting underway in 1988 are the Eagle River bridge and the Rabbit Creek/DeArmoun interchange both valued at over \$20 million.

The commercial building sector will take the brunt of the construction employment declines. State and private construction projects have dried up and there are not many bright spots on the horizon. Construction of the court house expansion will not occur in the forecast time frame. It appears even if approved this session the earliest the project would start would be 1989. Indeed, a start-up that year would offset the construction employment declines forecast for 1989.

One bright spot in the commercial building sector is Alyeska's plan to expand their ski resort facilities in Girdwood. This \$40 million project includes an addition of 300 rooms and the construction of a gondola. This project will directly impact several hundred construction workers

through 1991. The proposed \$200 million Eagle River ski/tourist resort is not assumed in this forecast. If the project does get the go ahead the forecasted construction employment figures would need to be revised upward by several hundred jobs.

Military construction levels are anticipated to remain stable with increases in National Guard construction projects offsetting declines in other military components. The largest military project in Anchorage during the forecast period is construction of the Air National Guard hangar and support facilities on Elmendorf Air Force Base.

Secondary Industries

A recovering mining industry, robust seafood processing industry, increasing tourism, stabilizing government employment and the bottoming-out of population and income levels will all have a positive impact on the secondary sectors.

Transportation, Communications, and Utilities employment is forecast to increase 1% over the two year forecast period. Trucking employment will remain stable because of military contracts. Air transportation will see modest increases after falling 6% in 1987. Increasing tourism and the robust seafood processing industry will help fuel the growth in air transportation. Water transportation employment will remain flat although cargo tonnage may increase slightly. The communications industry and private utilities are expected to grow slightly.

After falling nearly 20% in two years, employment in the **Trade** industry is expected to increase in 1988 and 1989. However, the movements of wholesale and retail trade are largely offsetting in 1988. Stabilizing population and income levels and increasing tourism are the primary impetus for growth in the retail sector. In short, it appears that trade has been stripped of its overcapacity quite quickly and now slow growth will settle in.

Bad news continues for the **Finance, Insurance and Real Estate** industry. After falling 15% since 1985 employment in this industry is forecast to fall another 3% before all the declines

are over. After the worst year ever for Anchorage's banking industry, a dismal year for insurance companies and a rock bottom year for real estate it does appear the worst is over. Some banks remain financially strapped. The real estate market has shown signs of life as sales of single family homes are picking up. The inventory of condominiums will continue to be a drag on the real estate market throughout the forecast period.

The **Services** industry is composed of many sectors but the primary groups include hotels/motels, personal services (like laundry and beauty parlors),

business services, construction services (like architects and engineers) and health care. Due to continued employment declines in the business and construction services sectors total services is forecast to decline in 1988. By the following year overcapacity should be wrung out of those sectors preparing the way for the other services sectors to induce increases in total services employment.

Conclusion

Forecasting, at best, provides economy watchers with a tool to judge the possible movement of an economy.

The Anchorage employment forecast presented in this article establishes a baseline or most likely outlook. Given the assumptions stated above total Anchorage employment is expected to hit bottom sometime in late 1988 and grow slowly through 1989.

A number of different scenarios could actually occur. Some can produce a continued downward spiral in employment levels and some could show moderate to rapid employment growth. Any major change in the key assumptions could lead to any one of the scenarios.

Fairbanks Employment Forecast: 1988-1989

By Neal Fried

"The economic forecaster . . . is disliked when his prophecies are ominous; he is distrusted when they are cheerful and he is reviled when they turn out wrong. Nevertheless, the forecaster survives and even prospers because business decision makers feel that they need him."

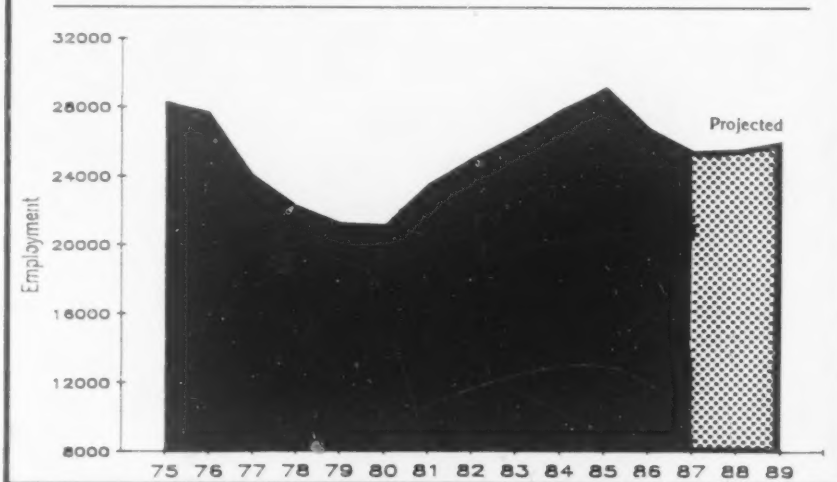
Leonard Silk, 1970

The Outlook Improves

After losing 3,650 jobs over the past two years, Fairbanks' economy will begin to stabilize in 1988 and 1989. While we will not see a strong recovery there will be a period of convalescence and slow recovery (Figure 1). The annual rate of growth for 1988-1989 will be slightly shy of 1%. This compares to an annual growth rate of 5.5% for the 1980-1985 period. Though the projected growth pales in comparison to 1980-85, any growth is a milestone in its own right because it signifies an end to the recession in Fairbanks.

The growth will be modest enough that individuals and businesses may not perceive a great deal of change. However, layoffs in most sectors of the economy will be fewer and some industries will actually expand. In late 1987 signs of improvement in Fairbanks' economy began to appear. State government (including the University), Fairbanks' largest basic sector employer, was no longer sustaining losses. By early 1988 some employment growth was evident. Retail trade's employment levels also recovered, a possible indication of a return of consumer confidence and in reaction to the growing military presence. Construction continues to lose ground, but these losses have moderated considerably. Fairbanks' remaining industry losses have either moderated or have come to an end.

Figure 1
Fairbanks Employment 1975-1989



Key Assumptions

Fairbanks' employment forecast is predicated on a set of key assumptions. A change in any one of the following factors could have a profound influence on Fairbanks' economy. In addition to these key assumptions, other assumptions have been made which will be discussed in the general text of the article.

- 1) Oil prices: \$14-17/barrel.
- 2) State operating budget: Approximately \$2.0 billion.
- 3) The Army will deploy 1,034 additional soldiers at Fort Wainwright in Federal fiscal year (FY) 1988 and an additional 277 in FY 1989.

Table 1
Industry Employment Forecast
Fairbanks
1988-1989

	1987	1988	Percent Change	1989	Percent Change
Nonag. Wage & Salary	25,500	25,600	0.4	26,050	1.8
Mining	100	100	0.0	100	0.0
Construction	1,600	1,550	-3.1	1,500	-3.2
Manufacturing	500	550	10.0	550	0.0
Trans. Comm. & Utilities	2,200	2,250	2.3	2,300	2.2
Trade	5,500	5,600	1.8	5,700	1.8
Wholesale	700	750	7.1	750	0.0
Retail	4,700	4,800	2.1	4,850	1.0
Finance-Ins. & R.E.	900	850	-5.6	850	0.0
Services & Misc.	5,500	5,600	1.8	5,700	1.8
Government	9,100	9,100	0.0	9,350	2.8
Federal	2,800	2,800	0.0	2,900	3.6
State	3,700	3,750	1.4	3,800	1.3
Local	2,600	2,550	-1.9	2,650	2.0

- 1) Oil prices: \$14-17/barrel.
- 2) State operating budget: Approximately \$2.0 billion.
- 3) The Army will deploy 1,034 additional soldiers at Fort Wainwright in Federal fiscal year (FY) 1988 and an additional 277 in FY 1989.
- 4) Military related construction spending during FY 1988 will exceed \$70 million and in 1989 it will be slightly less.

- 4) Military related construction spending during FY 1988 will exceed \$70 million and in 1989 it will be slightly less

The Light Infantry Brigade

Since 1986 1,400-1,500 additional soldiers have arrived in Fairbanks. If we were to count these soldiers in our wage and salary or labor force statistics, employment during the next two years would grow quite dramatically. This is not done because uniformed military are not counted in wage and

salary statistics nor civilian labor force numbers, but instead are accounted for separately. In addition to this defined limitation, an increase in uniformed military personnel does not represent direct new job opportunities for Fairbanks residents. The soldiers, their spouses and dependents also compete for jobs in the local labor market, which offsets some of the employment opportunities generated in the community by the military activity.

Nevertheless, the military impact in 1988 and 1989 has been treated cautiously in this forecast since the Army's deployment plans continue to be scaled back due to actual or proposed cuts by the Pentagon. An important example of this is what is occurring with federal civil service employment. Presently there are plans to cut federal civil service by 125 positions. In previous scenarios, given the approximate ratio of 3 soldiers per civilian employee, federal government employment was expected to grow by as much as 400 positions. Apparently this is not going to happen because of budget problems. This represents a major potential loss to the Fairbanks economy.

However, there are civilians employed on Fort Wainwright who are federal civilian employees but are not civil service, and are not funded by the Pentagon budget. These federal employees are employed by self supporting enterprises that provide services to the soldiers. They include the postal exchange (PX), recreational activities, day care and a variety of other concessionaires. Their employment is expected to grow slightly because they have more soldiers to serve. You will notice in Table 1 that we have not forecasted any growth for federal government—a surprising phenomenon considering the major expansion of uniformed personnel.

Construction

The construction industry will be one of the major beneficiaries of the planned military expansion during the next two years. In FY88 approximately \$70 million is expected to be spent for military construction in Fairbanks (which is about equal with 1987 levels), and a slightly smaller number is projected for 1989. Without this activity, construction's

employment would continue to fall, possibly to levels not seen since the 1960s. Even with the expected military construction, no growth is forecast for the industry. This will put the industry's employment at 1979 levels, which was hardly a brisk year for construction.

Commercial and public building construction is not projected to experience any rebound during the forecast period because of existing excess capacity in the market and fewer public construction dollars. Last year's dollar valuation of building and zoning permits fell to \$34.7 million, the lowest since pre-pipeline construction days. Construction of the \$12.5 million Fairbanks Multipurpose Community Activity Center will provide some relief to this sector of construction but not enough to put it on a growth path. On a somewhat brighter note, the Department of Transportation estimates highway construction activity should remain at least on par with last year. On the residential side there were indications in late 1987 and early 1988 that sales began to improve, which could mean a slight upswing in residential construction.

State and Local Government

State government is one of the brighter spots, though it is only projected to grow about 1% per year. State employment levels pulled out of the slump in late 1987, led by the University. Because a steady operating budget is projected, expect employment to inch upwards.

Local government's picture is mixed. The education side of local government looks relatively healthy after experiencing losses in 1987. Employment will remain level in 1988 and grow slightly in 1989 in response to a projected increase in students and an improved student/teacher ratio. The borough, city and the Municipal Utilities System will continue to lose ground in 1988 and stabilize in 1989. Deterioration of assessed property values and resistance to proposals to tap alternate sources of operating revenues preclude growth during the forecast period.

Promising News in the Secondary Sector

Retail trade and service employment are forecasted to move ahead approximately 2% per year during the next two years. Retail trade and services will benefit disproportionately from additional military personnel. These two industries will also benefit from what is expected to be a good tourism season in 1988. Though no good measure of consumer confidence exists, economic uncertainty contributed to employment declines in the secondary sectors when people delayed purchases because of the uncertainty. Those people whose incomes were not affected by the recession but who delayed purchases may now choose to spend more than they have during the past two years.

Only the finance-insurance and real estate sector is not projected to improve. The surplus of real estate and weakness in the financial sector will continue to put downward pressure on this industry. It will not be until 1989 when employment in this industry will finally stabilize.

Tourism

A healthy year for tourism is forecasted. According to most major tour operators, 1988 is looking good and there are strong indications that the devalued dollar will entice a growing number of foreign tourists. The weak dollar should also make Alaska a more attractive place for domestic visitors. Gasoline prices remain low, which should insure a healthy flow of tourists coming to Alaska via motor vehicle.

Overview: Labor Market Remains Tough but Improves

Though the employment picture is projected to improve during the next two years, employment opportunities will be far from plentiful. High unemployment will continue to prevail and the labor market will remain extremely competitive. Only a small percent of the jobs lost during the past two years will be reclaimed. In spite of this, job seekers should still find a considerably improved labor market for a number of reasons. Many poten-

tial job seekers have left which means there will be less competition for jobs which become available. The national labor market remains robust; thus fewer job seekers from the lower 48 will be seeking opportunities in Alaska. Finally, an improving economy, although moving at a snail's pace, brightens the overall outlook.

Southeast Alaska Employment Forecast: 1988-1989

By Brian Rae

Total employment in Southeast is expected to increase slightly during 1988 and 1989, reversing a two year decline (Figure 1). Unlike recent periods of overall employment growth, this increase will be fueled by the manufacturing industries. Those industries with high losses over the past two years, such as government and construction, should slow their rapid declines and remain relatively stable over the next two years.

The largest swing in employment will occur during 1988. After a drop of 1.6% during 1987, employment will increase by one-half of one percent (Table 1). An increase of approximately 1% is expected to follow in 1989. Much of this recovery will be in response to demands for Alaska products from outside the state. Although active during the recession years, this increased demand and associated employment has been overshadowed by employment decreases caused by the decline in the price of Alaska's oil. As other sectors slow their employment losses, the impact of this increased demand will become more apparent in Southeast's economy.

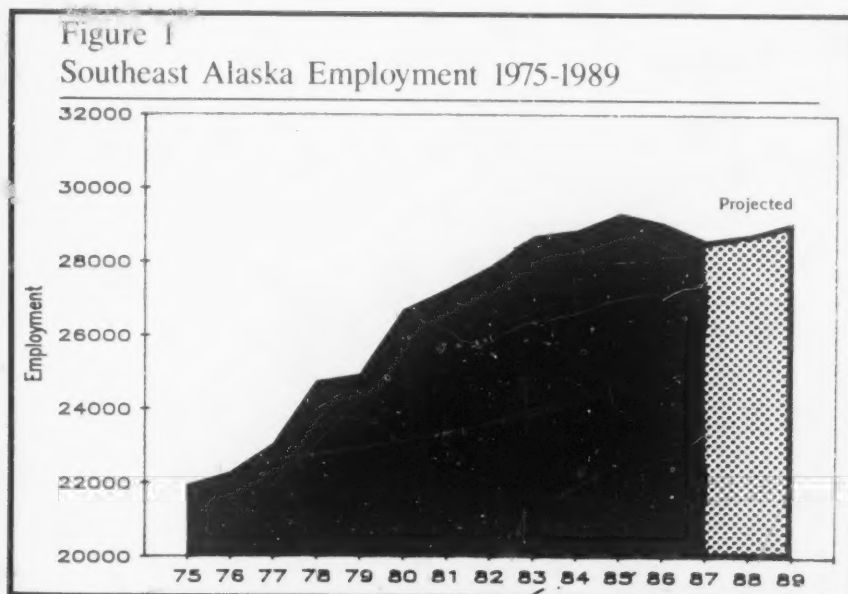
Assumptions

Southeast Alaska's economic decline will abate for three general reasons. First, Southeast industries reliant on the price of oil, mainly government, have cut back to sustainable levels given current price projections. Second, the wave of apprehension concerning the economy's ability to survive has for the most part passed. Unlike the last two years, 1988 and 1989 might well be the years when property bailouts are seen as investment opportunities. Third, favorable exchange rates will continue to spur demand for Alaskan products. The Japanese market in particular has boosted demand for products such as timber and fish. Although the dollar might appreciate somewhat in the world currency markets, it should not appreciate enough to kill this recent increased demand for Alaska's products.

One of Southeast Alaska's smallest industries will show a 300% increase by 1989 with the addition of the Green's Creek mine this year. These forecasts also assume that Southeast's largest industry, state government, will hold steady over the period.

Construction

Overall construction employment is expected to remain stable through the forecast period, a welcomed change from its constant declines since 1983. Following the capital move issue's resolution, pent up demand led to a construction boom. After this increased construction activity, annual average employment decreased by over 500 between 1985 and 1986. Accounting for as much as 7% of Southeast employment during the boom, construction will account for approximately 3.7% during the next two years. The current excess capacity in Juneau's residential and commercial real estate sectors will stymie growth in these sectors in Southeast for the next several years.



Public works projects scheduled for 1988 and 1989 will bring the construction industry out of its current slide. These include Wrangell's hospital expansion, several airport expansions, water and sewer service extensions, dock renovations, Juneau's city library and the new University of Alaska-Southeast library. Forecasted construction employment assumes 1986 levels to be near the minimum levels required to maintain existing structures and facilities.

Manufacturing

Responding more to outside demand than do other sectors of Southeast's economy, all manufacturing industries show strong employment growth over the next two years. After hitting a low point in employment in 1984, manufacturing has grown every year since. While only 10.5% of Southeast's employment was in manufacturing in 1984, almost 15% will be by the end of the forecast period. This employment share is the same as 1981 levels.

The forest products industry will grow steadily, continuing a trend which started in 1984 and has accelerated since that time. With recent increased demand, some mills which closed in the early 1980s will reopen over the next two years. Klawock's timber mill recently reopened, spurring employment in the area. Other mills currently in production are increasing their hours and shifts, while some new facilities have been proposed. Chilkoot Lumber Company is planning to bring on a second shift beginning in early 1988, while Louisiana Pacific Corporation has authorized Ketchikan Pulp Company to build a sawmill in Wards Cove. This new mill should be on line in September, 1988. Many mills are now remaining open for 11 months, compared to 7 or 8 months just a few years ago.

Even with moderate revaluation of the dollar, Alaska timber products should see demand sufficient to maintain modest employment growth. World supplies of dissolving pulp have dropped with the closure of three overseas producers over the last two years—Southeast's two dissolving pulp mills should experience some

increased demand. Several major fires in the U.S. Pacific Northwest should strengthen Alaska's position in the market. Two production factors have made Alaska timber processing more competitive. Labor disputes in British Columbia, and employer/employee agreements for wage concessions and profit sharing deals have helped make Alaska timber products more competitive in the market.

Seafood processing is the other bright spot in Southeast's employment. Although 1987 employment of 1,100 was less than expected, mainly because of a poor pink salmon season, employment should rebound to approximately 1,200 over the next two years. Three factors will determine this employment gain. First, as mentioned above, 1987 saw a very weak pink salmon fishery. All other things being equal, a normal run of pinks in 1988 should create increased employment. Second, Southeast processors expect to continue to participate in the strong bottomfish markets. Last year was quite good for black cod, and most processors are expecting similar catches during 1988. Finally, many processors are attempting to spread out their workloads, thereby providing longer term employment for their workers. Most of these jobs entail final processing, packaging, and labeling of the products.

One area of concern to processors,

Table 1
Southeast Alaska Employment Forecast
1988-1989

	1987	1988	Percent Change	1989	Percent Change
Salary, Wage and Salary	28,601	28,800	0.7	29,200	1.4
Construction	1,100	1,100	0.0	1,100	0.0
Manufacturing	4,100	4,275	4.3	4,375	2.3
Seafood Processing	1,100	1,150	4.6	1,200	4.4
Lumber & Paper Prod.	2,800	2,900	3.6	2,925	0.9
All Other Manufacturing	200	225	12.6	250	1.1
Trans. Comm. & Utilities	2,100	2,100	0.0	2,150	2.4
Trade	4,525	4,525	0.0	4,575	1.1
Wholesale	400	400	0.0	400	0.0
Retail	4,150	4,150	0.0	4,175	0.6
Finance Insur. & R.E.	1,050	1,075	2.4	1,075	0.0
Services, Mining & Misc.	4,700	4,850	3.2	5,000	3.1
Government	11,000	10,900	-0.9	10,900	0.0
Federal	3,950	3,950	0.0	3,950	0.0
State	4,975	4,975	0.0	4,975	0.0
Local	2,100	2,000	-4.8	2,000	-0.0

and one which might dilute potential employment gains in the industry, is overlapping seasons. Some canneries have been forced to contract with floating processors to increase their capacity. These floating processors come equipped with their own crews, limiting the number of jobs available for local residents. Coordinating fishery openings to optimize land based processors' capacities could lead to large increases in employment for Southeast residents.

Employment levels in seafood processing, like forest products, are somewhat dependent upon international currency markets. Employment forecasts for seafood processing assume the same currency movements stated above.

Transportation, Communication and Utilities

This sector has recovered from its low point from 1983 through 1985. Employment through the forecast period will rise only slightly, and not be evenly distributed throughout the sector.

The communications and utilities industries will continue to show weakness. Employment during 1987 in this sector has been very weak. Population swings and increased competition within the communications sector seem to be large contributing factors to this weakness.

Transportation services should increase over the forecast period, making up for losses in the communications and utilities sectors. One of the largest impacts on the air transportation sector will be increased mining activities in Southeast and Canada. Supplying Green's Creek mine will boost this sector in northern Southeast. In the last nine months of 1987, work at Canada's Skyline mine gave Wrangell 3,600 additional flights. City officials expect two to three times that impact in 1988. Echo Bay Mines is using Haines as its mobilization point, causing increased air and water traffic in the area. Exploratory operations throughout the area will also positively impact these sectors.

Another possible impact will be the ability of other Southeast companies to win contracts to supply Canadian

mines. Canadian mining companies, looking to reduce costs and prolong the life of their investments, are seeking the lowest cost suppliers of goods, whether Canadian or Alaskan. Several mining companies have expressed a need for a road system to reduce their operating costs, with the incentive of increased contracts for the area willing to subsidize such a project. Even with limited contracts and mining activities from Skyline in 1987, city officials estimated that an additional \$1 Million flowed through Wrangell's economy. If Alaskan firms win more such contracts, mining's impacts can go a long way towards diversifying the Southeast economy.

Tourism is expected to increase somewhat over the forecast period. In 1986, this industry saw very high traffic caused by several factors. Nineteen eighty-seven saw tourist traffic down to more traditional levels. Much of this increase in tourism will, however, be independent travelers. For the transportation industry, tourism will maintain its relative importance throughout the forecast period.

Government

Government employment is forecast to continue downward, reaching a low in 1988 and then holding steady in 1989. At that time, employment levels will equal those in 1981, the year before state government employment increased rapidly. As a share of total employment, government will see losses over the next two years.

State government in Southeast is forecast to remain at 1987 levels for the next two years. This assumption is made for two reasons. Since the largest share of state workers are still in the midst of contract negotiations, there is some flexibility in the wage structure. After reviewing revenue projections, wage or benefit concessions could be made if needed. It is assumed that a contract will be reached which will help maintain current employment levels. Also, further cuts in state employment will be difficult without directly impacting programs, a course of action not normally taken during an election year. Recent cuts trimmed and consolidated programs, but did so without noticeably cutting back service to the

public. At this time, many state agencies are at maintenance staffing levels, and additional cuts will be noticed in reductions in their services.

Federal employment in Southeast has fallen in every year since 1980, from 2,500 to only 1,950 in 1987. For the forecast period, employment is projected to remain at 1,950. Two important factors could affect employment, particularly by 1989. A change in Federal administration, if it reverses the declines in federal employment, could impact Southeast government employment. The other factor, although considered unlikely, would be the selection of a Navy home port in Southeast Alaska. Even if this were to occur, it would affect only the last part of this two year forecast.

Local government employment is projected to continue its fall through 1989, but not at the precipitous rate experienced between 1986 and 1987. Compared to 1987 employment of 4,100, the forecast years will see employment stabilize at approximately 4,000.

Mining

Of all industries, mining shows the greatest employment growth on a percentage basis. Employment will increase from less than 100 in 1987 to more than 250 by 1989 with additional employment at the Green's Creek mine. As mentioned earlier, other sectors will reap benefits from this employment increase.

Both Wrangell and Haines have benefited from mining activities in Canada. As mentioned above, Wrangell air traffic increased sharply last year. As production from Canada's Skyline mine gets underway, transportation services will see even greater economic impacts. Many local companies, from machine shops to food stores, hotels and bars, have seen business increase.

Mining operations are, however, extremely dependent on world prices. Most of the operations being considered in Alaska are extremely tenuous proposals, only feasible if minerals' prices remain high. Given the volatility of the markets, many projects have been postponed or can-

celed. The Quartz Hill molybdenum mine project, after many years of study and much investment, will probably not be completed unless conditions change.

Alaska is rich in minerals. If prices increase to the point where mining operations become economically feasible, many companies are prepared to invest in Alaskan mines. Until then, mining should continue to be a small industry with strong growth.

Secondary Industries

Trade, though growing slightly, will lose in overall employment share during the next two years. Finance, insurance and real estate will also show some growth, but will not regain the 10% employment lost between 1986 and 1987.

Services will lose in its total employment share, but has and will continue to show steady growth over the next two years. Except for a small decline between 1984 and 1985, the service sector has grown steadily over the last 15 years.

Conclusions

Employment in Southeast will turn around during 1988, posting an overall increase of 0.6% compared to 1987 levels. Most of this employment growth will be created through the natural resource industries of mining, wood products, and seafood processing. Some positive effects will be felt in other industries because of this basic sector growth.

Employment will continue to rise in 1989, with a 1.1% overall increase. No industry is expected to show substantial declines between 1988 and 1989, although many will do little more than remain stagnant.

The past mainstay of Southeast employment, government, will continue to decline as a percentage of total employment over the forecast period. Losses will be offset by employment gains in services, which will show moderate growth as Southeast's economy matures.

Alaska's Employment Scene

By Neal Fried

Figure 1
Alaska Employment
Over the Year Change by Month

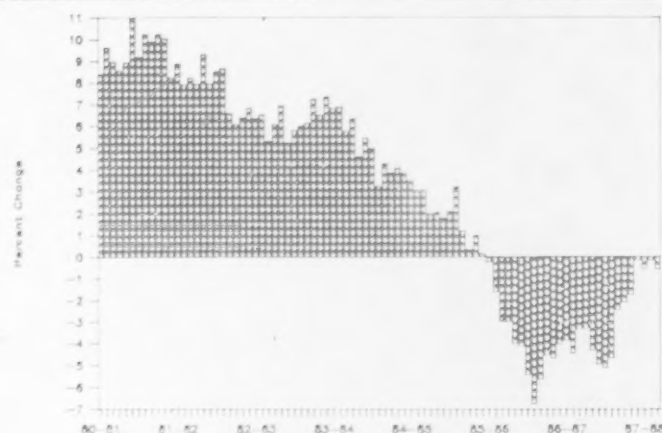


Table 1
Nonagricultural Wage and Salary Employment
By Place of Work
Alaska

	Changes From:				
	p/	r/	2-87	1-88	2-87
	2-88	1-88			
Nonagr. Wage & Salary	198,200	198,300	199,300	1,900	1,100
Mining	8,600	8,300	1,400	300	400
Construction	7,400	1,600	0,700	-200	-1,300
Manufacturing	11,400	11,300	10,000	-500	-1,300
Food and kindred products	3,200	3,300	3,100	100	200
Textile, apparel, leather	2,300	2,300	2,300	0	0
Chemical, allied products	2,300	2,300	2,300	0	0
Transportation	30,000	30,000	30,000	0	0
Trucking & warehousing	2,300	2,300	2,300	0	0
Water transportation	1,000	1,000	1,000	0	0
Air transportation	2,300	2,300	2,300	0	0
All other transportation	8,400	8,400	8,400	0	0
Trade	10,000	10,000	10,000	0	0
Wholesale	7,100	7,100	7,100	0	0
Retail	11,200	11,200	11,200	0	0
Gen. Merch. Apparel	4,500	4,500	4,500	0	0
Food Stores	5,700	5,700	5,700	0	0
Eating & Drinking Pl.	10,000	10,000	10,000	0	0
All other Retail	10,100	10,100	10,100	0	0
Finance, Ins. & R.E.	10,000	10,000	10,000	0	0
Services	39,100	39,100	40,300	1,200	1,200
Government	66,200	64,000	66,600	2,600	2,600
Federal	17,800	17,400	17,400	0	0
State	19,200	18,900	19,200	300	300
Local	29,200	27,700	30,000	2,300	2,300

Prepared in cooperation with the U.S. Bureau of Labor Statistics. Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date: 1987.

p/ Denotes Preliminary Estimates.
r/ Denotes Revised Estimates.

February's employment numbers demonstrate Alaska's economy is not quite out of the woods, but it is getting ever closer. All that separates February levels with year-ago levels are 1,100 jobs or 0.6% (Figure 1). Not all areas of the state or industries are performing equally and this is making the road to recovery somewhat unusual. Past recoveries often began in Alaska's larger urban areas and spread to the rest of the state, but today it is quite the reverse.

"Small is beautiful" might come to mind when discussing Alaska's present comeback. Alaska's small and medium size communities are largely responsible for the improving employment figures. Fishing and timber (not construction and government) are pulling the economy out of the doldrums. Places like Kodiak are prospering because of the bottom-fishery. Seward and Homer are becoming home bases to bottomfishing fleets. Communities such as Dutch Harbor, Unalaska, Adak, Shemya and others on the Aleutian Islands are benefiting both from the bottomfishery and an increase in military related activity. Timber employment, which continues to climb, takes place almost entirely in Southeast Alaska's small and medium sized communities. New mining ventures: Red Dog (near Kotzebue Sound; Green's Creek on Admiralty Island, and Inspiration Mining's floating dredge the "Bima" in Nome are also contributing to a recuperating economy. All of this combined activity is helping to make the transition between an economy which is losing ground to one that is growing.

The Industry Picture

Not all of the improvement in the economy can be attributed to the timber, mining and fishing industries. Many industries which were victimized by the recession in 1986-1987 have now stabilized; some have begun to grow and those industries which are still declining are tempering their losses (Table 1).

Table 2
Nonagricultural Wage and Salary Employment
By Place of Work

Anchorage

	Changes From:				
	p/ 2/88	r/ 1/88	2/87	1/88	2/87
Nonag. Wage & Salary	96,250	96,250	98,650	0	-2,400
Mining	3,350	3,250	3,150	100	200
Construction	1,850	4,100	4,650	-250	-800
Manufacturing	1,850	1,850	2,050	0	-200
Transportation	8,800	8,800	3,750	0	50
Trucking & Warehousing	1,300	1,350	1,250	-50	50
Water Transportation	250	200	250	50	0
Air Transportation	3,000	3,000	3,000	0	0
All Other Transportation	4,250	4,250	4,250	0	0
Trade	22,500	22,700	22,550	-200	-50
Wholesale	5,100	5,200	5,500	-100	-400
Retail	17,400	17,500	17,050	-100	350
Gen Merch. & Apparel	2,300	2,400	2,250	-100	50
Food Stores	2,950	2,950	2,750	0	200
Eating & Drinking Pl.	6,600	6,500	6,750	100	-150
All Other Retail	5,550	5,650	5,300	-100	250
Finance Ins. & R.E.	7,050	7,050	7,650	0	-600
Services	23,900	23,950	23,450	-50	550
Government	25,950	25,550	26,400	400	-450
Federal	10,450	10,550	10,050	100	400
State	6,850	6,350	6,900	500	-50
Local	8,650	8,650	9,450	0	-800

Fairbanks

	Changes From:				
	p/ 2/88	r/ 1/88	2/87	1/88	2/87
Nonag. Wage & Salary	23,850	23,450	24,200	400	-350
Mining	50	50	100	0	-50
Construction	1,150	1,150	1,150	0	0
Manufacturing	450	500	500	-50	-50
Transportation	1,900	1,900	2,100	0	-200
Trucking & Warehousing	300	400	350	0	-50
Air Transportation	300	300	350	0	-50
All Other Transportation	1,300	1,300	1,400	0	-100
Trade	5,050	4,950	4,800	100	250
Wholesale	700	650	750	50	-50
Retail	4,350	4,300	4,050	50	300
Food Stores	750	750	650	0	100
All Other Retail	3,600	3,550	3,400	50	200
Finance Ins. & R.E.	850	850	900	0	-50
Services	5,200	5,200	5,350	0	-150
Government	9,200	8,850	9,300	350	-100
Federal	2,700	2,700	2,700	0	0
State	3,950	3,650	3,900	300	50
Local	2,550	2,500	2,700	50	-150

Anchorage-MatSu

	Changes From:				
	p/ 2/88	r/ 1/88	2/87	1/88	2/87
Nonag. Wage & Salary	102,290	102,250	105,650	0	-3,360
Mining	3,150	3,250	3,150	100	200
Construction	4,000	4,250	4,850	-250	-850
Manufacturing	1,900	1,900	2,100	0	-200
Transportation	9,400	9,450	9,450	50	-50
Trade	24,900	24,100	24,150	-200	250
Finance Ins. & R.E.	7,450	7,850	8,100	-50	-650
Services	24,950	24,000	24,450	-50	500
Government	28,400	27,800	28,800	-500	-500

Interior

	Changes From:				
	2/88	p/ 1/88	r/ 2/87	1/88	2/87
Nonag. Wage & Salary	27,450	27,000	27,600	450	-150
Mining	200	200	200	0	0
Construction	1,200	1,200	1,200	0	0
Manufacturing	300	500	500	0	0
Transportation	3,250	2,200	2,400	50	-150
Trade	3,400	3,400	5,050	0	350
Finance Ins. & R.E.	900	900	1,000	0	-100
Services	8,450	8,450	8,750	0	-300
Government	11,500	11,150	11,500	400	50

Gulf Coast

	Changes From:				
	p/ 2/88	r/ 1/88	2/87	1/88	2/87
Nonag. Wage & Salary	17,850	17,900	17,250	50	600
Mining	750	750	650	0	100
Construction	650	700	850	-50	-200
Manufacturing	1,000	3,000	2,350	0	650
Seafood Processing	2,400	2,400	1,750	0	650
All Other Manufacturing	600	600	600	0	0
Transportation	1,250	1,300	1,250	-50	0
Trade	4,250	3,300	3,100	-50	150
Wholesale	400	400	400	0	0
Retail	2,850	2,900	2,700	-50	150
Finance Ins. & R.E.	600	600	600	0	0
Services	2,900	3,000	3,000	-100	100
Government	8,450	5,250	5,450	200	0
Federal	500	900	500	0	0
State	1,500	1,400	1,500	100	0
Local	1,450	1,350	1,450	100	0

Southeast Alaska

	Changes From:				
	2/88	p/ 1/88	r/ 2/87	1/88	2/87
Nonag. Wage & Salary	26,950	26,050	26,350	500	200
Construction	800	800	950	0	-150
Manufacturing	3,250	3,150	2,550	100	300
Seafood Processing	700	900	600	-200	100
Lumber & Paper Prod.	2,350	2,050	2,150	300	200
All Other Manufacturing	200	200	200	0	0
Transportation	1,850	1,800	1,800	50	50
Trade	4,150	4,150	4,050	0	100
Wholesale	400	350	350	50	50
Retail	3,750	3,800	3,700	-50	50
Finance Ins. & R.E.	1,050	1,050	1,050	0	0
Services	4,200	4,200	4,300	0	-100
Government	11,100	10,800	11,200	300	-100
Federal	1,950	1,950	1,800	0	150
State	5,000	4,850	5,100	150	-100
Local	4,150	4,000	4,300	150	-150

Oil is one of Alaska's industries on a comeback in 1988, after two years of decline. According to the latest Hughes Rig Count for Alaska, the number of rigs operating in February was 11 compared to 7 last year. The increase in drilling rig activity and exploration has pushed February's oil industry employment 7% above year-ago levels. Recent declines in oil prices are making the industry nervous, and were reportedly responsible for the delay of the Milne Point project. Unless a free fall in oil prices occurs reminiscent of 1986, overall oil industry employment will continue to grow in the upcoming months.

Retail trade has also begun to make a rebound. After losing 3,100 jobs over the past two years, employment stabilized in February. Generally speaking, retail trade is population and/or income driven, both of which are unlikely to be presently growing. A more plausible explanation might be that nebulous economic phenomenon—consumer confidence. After two years of uncertainty and turmoil, consumers who remained employed but delayed purchases, are now feeling confident enough to make these purchases.

Though rebound would be too strong a word to use to explain what is happening to state government, firming

up would be quite accurate. State government employment, which represents almost 10% of the state's wage and salary work force (19,200 jobs) is presently employing as many people today as a year ago. Losses in state government which began in late 1986 and continued in 1987, have come to an end in 1988.

For now, fish processing employment remains Alaska's employment machine—1,800 above year-ago levels. Without seafood processing, total industry employment would remain substantially below year-ago levels. Because this tends to be a low wage industry (The average annual earnings for residents in 1986 were \$5,420 for food processing compared to an overall average of \$20,137,) these jobs have a smaller economic impact on Alaska's economy than most of the jobs lost over the past two years. Compounding this problem is the fact that in 1986 57% of the food processing workers were nonresidents, compared to an 18.8% nonresident factor for the overall work force. The nonresident employment represents a major leakage to the economy. It will therefore take considerably longer for the Alaskan economy to recover from lost wages and income brought on by the recession than to recoup employment losses.

Table 3
Alaska Hours and Earnings for Selected Industries ^{1/2}

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	P/ 2/88	R/ 1/88	2/87	P/ 2/88	R/ 1/88	2/87	P/ 2/88	R/ 1/88	2/87
Mining, excl. oil & gas	1,080.64	1,165.96	1,170.18	46.7	48.2	49.5	23.14	24.19	23.64
Construction	837.32	836.70	892.80	35.3	35.2	38.4	23.72	23.77	23.25
Manufacturing	457.43	460.60	510.14	38.7	37.6	40.2	11.82	12.25	12.69
Seafood Processing	301.37	311.83	273.60	38.1	36.6	38.0	7.91	8.52	7.20
Lumber & Paper Prod.	572.97	547.96	643.14	38.3	37.2	43.9	14.96	14.73	14.65
Trans., Comm. & Util.	562.44	564.83	573.05	36.1	36.3	36.2	15.58	15.56	15.83
Trade	364.56	357.72	367.50	33.6	33.0	33.5	10.85	10.84	10.97
Wholesale	543.91	541.33	511.00	40.2	39.6	38.8	13.53	13.67	13.17
Retail	302.04	294.72	316.63	31.3	30.7	31.6	9.65	9.60	10.02
Finance, Ins. & R.E.	393.88	387.69	409.22	34.4	34.4	35.4	11.45	11.27	11.56

Benchmark March 1987

1/ Prepared in cooperation with the Bureau of Labor Statistics US Department of Labor

2/ excludes eating and drinking establishments

AVERAGE HOURS AND EARNINGS SERIES: Averages are based on data for full and part time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing) and are for gross earnings and hours paid, including overtime pay and hours.

The Less Fortunate

Construction remains the biggest employment loser. Employment is 15% below year-ago levels. This is an improvement over the 21% rate of decline last year, but the picture remains grim. We now have to reach back to 1980 to find an equivalent year for construction employment. No turnaround in this industry is projected for the near term. On a seasonal basis, February usually represents the low point for this industry, so by March or April the industry should start posting some month-to-month employment gains.

Weakness also prevailed in the **finance-insurance and real estate and service** industries in February. The banking and insurance sectors remain major victims of the recession. Over-the-year employment losses for both banking and insurance are at double digit levels. The service sector's biggest weakness lies in engineering and architectural services—a casualty of the construction industry's collapse. But even in recession-proof industries, such as legal and social services, over-the-year employment levels have fallen. More resilient have been hotel and lodging and medical services.

Local government employment is still losing ground—though its losses are moderating. A declining population base, falling property valuation and a general resistance to revenue raising has continued to strap many local governments. Though no large layoffs are presently occurring, attrition and small layoffs are taking their toll.

The Geographic Employment Picture

Anchorage's employment picture remains among the weakest in the state (Table 2). Over-the-year losses in February stand at 2.2%, an improvement over last February's 9.5% rate of decline but still one of the highest in the state (Figure 2). Construction employment continues to fall—February levels have fallen to approximately 1974 levels. Finance-insurance and real estate and services are the other big employment losers, showing 7.8% and 2.4% over-the-year declines respectively.

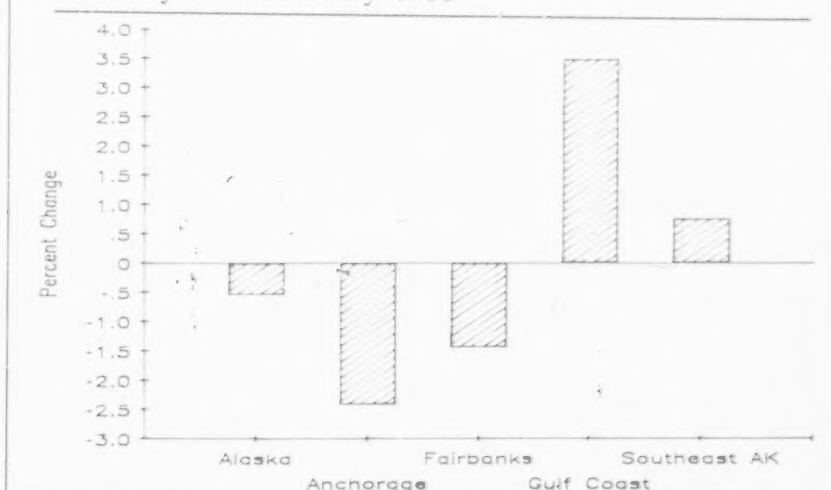
There are some bright spots on Anchorage's employment scene. Anchorage's oil industry employment numbers are up after two years of losses. Retail trade is also looking considerably better—up by 350. The only sector of this industry still losing ground eating and drinking establishment employment. State government employment has virtually stabilized. As additional industries join these winners, Anchorage's total industry picture will be on its way to recovery.

Fairbanks' overall employment picture exhibited improvement in February (Table 2). Over-the-year industry employment was down 1% compared to 5% for all of 1987. These declines are becoming small enough, that it is possible employment gains will overcome employment losers and bring total employment declines to an end in the upcoming months. The industry picture is largely a mixture of small declines and increases.

Gulf Coast's total industry numbers are looking strong (Table 2). As in the statewide picture, seafood processing is responsible for this strong showing—particularly concentrated in Kodiak, Cordova and other select communities in the Gulf Coast. Most of the remaining industries remain relatively flat.

Southeast's economy is relatively upbeat (Table 2). Employment is up

Figure 2
Percent Change in Employment
February 1987-February 1988



both seasonally and over-the-year. This region's employment picture has consistently looked better than most other areas of the state during the past year, mainly due to a rebound in the timber industry and a rapidly expanding tourism sector.

The Labor Market Begins To Improve

Alaska's unemployment rate climbed to 11.1% in February, putting it among the top five in the nation, but this looks considerably better than last February's rate of 13.3% (Table 4). What is more remarkable is how the number of unemployed declined from 31,605 in February 1987 to 26,528 this month.

Three basic ingredients are responsible for this lower unemployment rate. 1) At the top of the list is out-migration of the unemployed. 2) An

extraordinarily good job market in much of the rest of the country has meant that fewer job seekers are coming to Alaska to seek their fortune. 3) Some of this improvement has come at the expense of the discouraged worker—that person who drops out of the job market because they assume no employment opportunities exist.

The first two ingredients, good or bad, are beginning to add up to an improving job market for the job seekers still here. The most important component to a significant economic turnaround is growth in the economy, and it is still missing. However, most indicators are beginning to demonstrate that this ingredient will not be as elusive in 1988 as it has been during the past two years.

Table 4
Labor Force By Region and Census Area

	Labor Force			Unemployment			Rate			Employment		
	P/ 2/88	R/ 1/88	2/87	P/ 2/88	R/ 1/88	2/87	P/ 2/88	R/ 1/88	2/87	P/ 2/88	R/ 1/88	2/87
Alaska Statewide	238,627	233,793	236,940	26,528	25,381	31,605	11.1	10.9	13.3	212,099	208,412	205,335
Anch.-MatSu Region	125,912	124,105	126,911	12,021	11,541	14,202	9.5	9.3	11.2	113,891	112,564	112,709
Anchorage Borough	111,322	109,866	111,597	9,297	8,859	10,993	8.4	8.1	9.9	102,025	101,007	100,604
MatSu Borough	14,590	14,239	15,314	2,724	2,682	3,209	18.7	18.8	21.0	11,866	11,557	12,105
Gulf Coast Region	25,591	25,120	24,433	3,912	3,577	4,512	15.3	14.2	18.5	21,679	21,543	19,921
Kenai Peninsula Bor	16,426	16,295	15,882	2,886	2,840	3,440	17.6	17.4	21.7	13,540	13,455	12,442
Kodiak Island Bor	5,403	5,269	4,976	411	309	389	7.6	5.9	7.8	4,992	4,960	4,587
Valdez-Cordova	3,762	3,556	3,575	615	428	683	16.3	12.0	19.1	3,147	3,128	2,892
Interior Region	35,392	34,513	35,781	5,165	4,970	6,570	14.6	14.4	18.4	30,227	29,543	29,211
Fairbanks North Star Br	30,256	29,622	30,605	4,139	4,096	5,366	13.7	13.8	17.5	26,117	25,526	25,239
Southeast Fairbanks ...	2,166	2,089	2,140	403	366	436	18.6	17.5	20.4	1,763	1,723	1,704
Yukon-Koyukuk	2,970	2,802	3,036	623	508	768	21.0	18.1	25.3	2,347	2,294	2,268
Northern Region	7,881	7,582	7,939	738	766	980	9.4	10.1	12.3	7,143	6,816	6,959
Nome	3,031	2,959	3,102	313	365	454	10.3	12.3	14.6	2,718	2,594	2,648
North Slope Borough ...	2,766	2,639	2,721	137	130	159	5.0	4.9	5.8	2,629	2,509	2,562
Northwest Arctic Bor...	2,084	1,984	2,116	288	271	367	13.8	13.7	17.3	1,796	1,713	1,749
Southeast Region	32,146	31,439	31,530	3,703	3,751	4,282	11.5	11.9	13.6	28,443	27,688	27,248
Haines Borough	869	849	848	152	151	161	17.5	17.8	19.0	717	698	687
Juneau Borough	13,608	13,277	13,335	925	931	1,186	6.8	7.0	8.9	12,683	12,346	12,149
Ketchikan Gateway Br	6,355	6,221	6,160	735	750	776	11.6	12.1	12.6	5,620	5,471	5,384
Pr. of Wales-Outer Ktch	2,541	2,539	2,534	503	555	581	19.8	21.9	22.9	2,038	1,984	1,953
Sitka Borough	3,813	3,654	3,670	402	334	402	10.5	9.1	11.0	3,411	3,320	3,268
Skagway-Yakutat-Angn	1,695	1,715	1,673	436	489	467	25.7	28.5	27.9	1,259	1,226	1,206
Wrangell-Petersburg ...	3,255	3,184	3,310	550	541	709	16.8	17.0	21.4	2,715	2,643	2,601
Southwest Region	11,705	11,034	10,346	989	776	1,059	8.4	7.0	10.2	10,716	10,258	9,287
Aleutian Islands	3,189	3,040	2,792	103	86	118	3.2	2.8	4.2	3,086	2,954	2,674
Bethel	4,495	4,253	3,970	384	317	407	8.5	7.5	10.3	4,111	3,936	3,563
Bristol Bay Borough ...	430	399	394	58	43	72	13.5	10.8	18.3	372	356	322
Dillingham	2,109	1,984	1,906	194	151	247	9.2	7.6	13.0	1,915	1,833	1,659
Wade Hampton	1,482	1,358	1,284	250	179	215	16.9	13.2	16.7	1,232	1,179	1,069

P/ Preliminary R/ Revised 1987 Benchmark

Federal guidelines require the use of unrounded labor force data, adjusted to be consistent with the Current Population Survey (CPS) in formulas used to allocate federal funds. Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor; because Alaska's CPS sample size is inadequate to accurately indicate monthly changes in level. The sampling errors are random in nature; meaning that the unemployment rates, in any given month, are as likely to be high as frequently as they are low. The official definitions of unemployment, currently in place, exclude anyone who has made no attempt to find work in the four week period up to and including the week that includes the twelfth of each month. Most economists feel that Alaska's rural localities have proportionately more of these discouraged workers.

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